

Kuraray CSR Report 2015

Corporate Social
Responsibility Report 2015



KURARAY CO., LTD.

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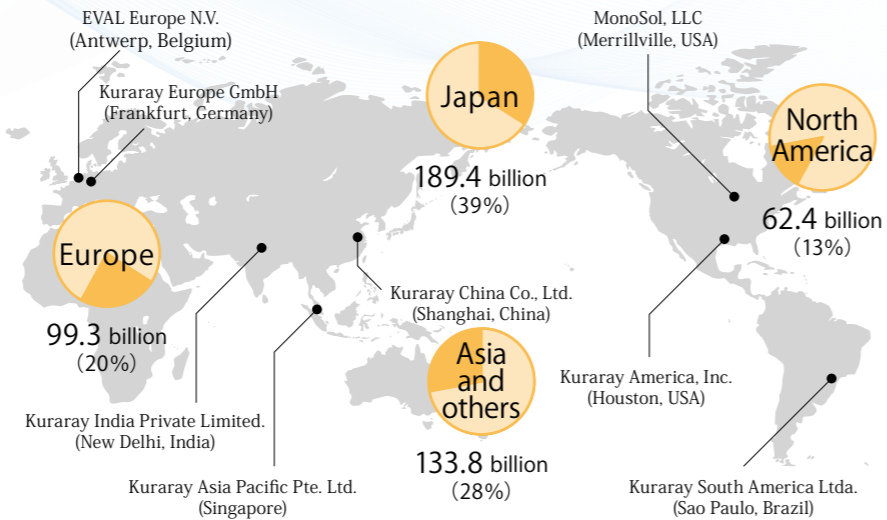
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Overview of the Kuraray Group

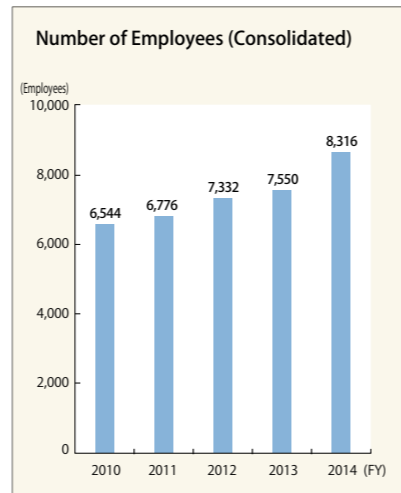
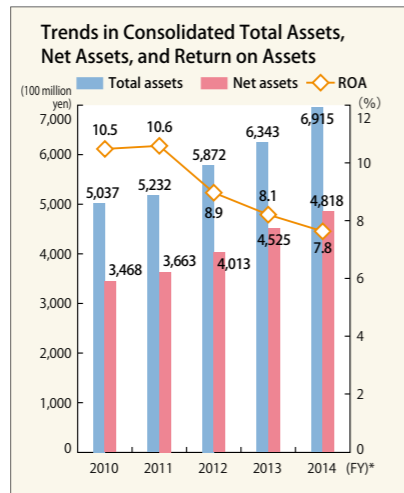
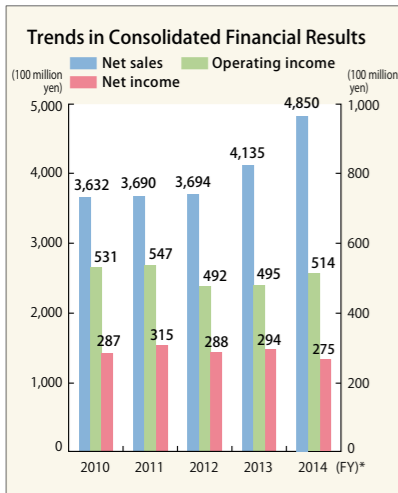
Corporate overview

Company name	Kuraray Co., Ltd.
Representative Director and President	Masaaki Ito
Established	June 1926
Capital	89 billion yen (as of Dec. 31, 2014)
Employees (consolidated)	8,316 (as of Dec. 31, 2014)
Head offices	Tokyo and Osaka
Plants and laboratories	Kurashiki, Saijo, Okayama, Niigata, Kashima and Tsukuba
Group companies	34 consolidated subsidiaries, 1 equity-method affiliate (as of Dec. 31, 2014)
Major operations	USA, Germany, Belgium, China, Singapore, India, and Brazil

Business by Region (business scale)



Data on Economic Efficiency



This report conveys the CSR activities that the Kuraray Group implemented in fiscal 2014 with the aim of boosting understanding of them among all stakeholders.

Reporting Period

* Fiscal 2014: Jan. 1 to Dec. 31, 2014
 * From fiscal 2014, the fiscal year-end has changed from March 31 to December 31. The consolidated accounting period for fiscal 2014 is the nine months from April to December 2014 in Japan and the twelve months from January to December 2014 overseas. Figures in this report for fiscal 2014 reflect the 12 months from January to December for Kuraray Co., Ltd. and its consolidated subsidiaries in Japan and overseas.

Scope of the Report

Safety and Environment: Reports focus on Kuraray Co., Ltd. and domestic affiliated companies, but also include some overseas affiliated companies
 Social: Reports focus on Kuraray Co., Ltd., but also include some affiliated companies depending on their activities in the respective field
 Economic: Kuraray Co., Ltd., consolidated subsidiaries, and equity method affiliates (total 36 companies)

Referenced Guidelines

GRI Sustainability Reporting Guidelines (Version 4.0).
 Ministry of Environment's Environmental Report Guidelines (2012 Edition)

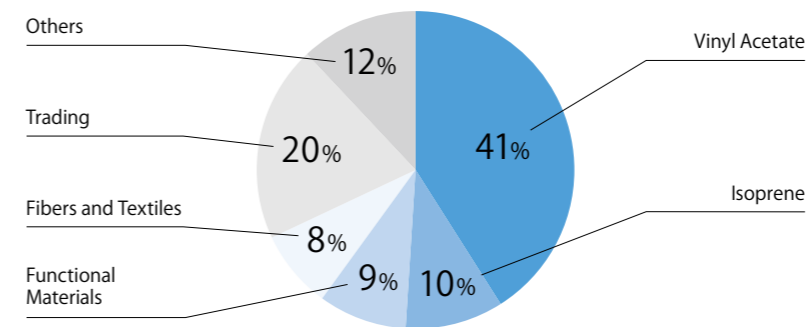
Issue Date

September 2015 (Previous issue: August 2014; Next issue: May 2016 (planned))

Business Outline

Kuraray was founded for the purpose of commercializing chemical fiber rayon in 1926 in Kurashiki City, Okayama Prefecture. Ever since becoming the first firm in the world to commercialize vinylon fibers and textiles after the war based on domestic technology as well as POVAL, the resin that is used as its raw material, we have made use of this unique technology and have delivered a variety of one and only and number-one products to the world as a specialty chemical manufacturer.

Breakdown of Consolidated Net Sales by Segment (Fiscal 2014)*



* Sales figures include sales to external customers and the amount of cross-segment internal sales and transfers. The figures do not include the adjustment expense of 97.8 billion yen. Adjusted January-December results for both Japan and overseas.

Vinyl Acetate 237.6 billion | Isoprene 55.7 billion

In this business, we manufacture and sell poval resin, which features water solubility and adhesive properties, poval film, which can be applied to liquid crystal displays and is also used for single-use packets for detergents and so on, EVAL, which has an excellent gas barrier property, and PVB film used as an interlayer for laminated glass.

In this business, we manufacture and sell the world's only synthetic isoprene chemical products and their derivative SEPTON, a thermoplastic elastomer, as well as GENESTAR a new polyamide resin with excellent heat resistance.

Functional Materials 53.8 billion | Fibers and Textiles 47.7 billion

In this business, we manufacture and sell CLARINO man-made leather with a structure and functionality as elaborate as natural leather, dental materials that enable repairs that closely resemble natural teeth, and methacrylate resin, which boasts excellent transparency and weather resistance.

In this business, we manufacture and sell vinylon fiber used as a substitute material for asbestos, MAGIC TAPE hook and loop fasteners, KURAFLEX nonwoven fabric used for lifestyle products and industrial materials, and polyester fiber.

Trading 119.2 billion | Others 68.7 billion

In this business, we import, export and sell wholesale fiber products such as polyester continuous fiber, resin and chemical products.

In this business, we manufacture and sell carbon material and highly functional membranes and systems used in water treatment, conduct an engineering business, as well as handle VECSTAR liquid crystalline polymer film, which is used mainly for flexible circuit boards.

All italicized product names in this report are trademarks of the Kuraray Group.

The Kuraray Group

34 consolidated subsidiaries/1 equity-method affiliate (36 companies including Kuraray Co., Ltd.)

Domestic

- Kuraray Co., Ltd. ●▲
- Kuraray Engineering Co., Ltd. ●▲
- Kuraray Chemical Co., Ltd. ●▲
- Kuraray Trading Co., Ltd. ●▲
- Kuraray Plastics Co., Ltd. ●▲
- Kurarayliving Co., Ltd. ●▲
- Kuraray Techno Co., Ltd. ●▲
- TECHNO SOFT CO., LTD. ●▲
- Kuraray Travel Service Corporation ●▲
- Kyosei Chemical Co., Ltd. ●▲
- Kuraray Saijo Co., Ltd. ●▲
- Kuraray Kuraflex Co., Ltd. ●▲
- Kuraray Fastening Co., Ltd. ●▲
- Kuraray Tamashima Co., Ltd. ●▲
- Iruma Country Club Co., Ltd. ●▲
- Okayama Rinkoh Co., Ltd. ●▲
- Kuraray Noritake Dental Inc. ●▲
- Kurashiki Kokusai Hotel Co., Ltd. ●▲
- Kuraray Aqua Co., Ltd. ●▲
- Ibuki Kosan Co., Ltd. ●▲
- Okayama Rinkoh Warehouse and Transport Co., Ltd. ●▲
- Kuraray Okayama Spinning Co., Ltd. ●▲

Overseas

- Kuraray Holdings U.S.A., Inc. ◆
- Kuraray America, Inc. ◆
- MonoSol Holdings, Inc. ◆
- MonoSol, LLC. ◆
- Kuraray Europe AF, Ltd. ◆
- OOO TROSIFOL ◆
- EVAL Europe N.V. ◆
- Kuraray Asia Pacific Pte. Ltd. ◆
- Kuraray Korea Ltd. ◆
- Kuraray International Trading (Shanghai) Co., Ltd. ◆
- Kuraray Trading (Shanghai) Co., Ltd. ◆
- Kuraray China Co., Ltd. ◆
- Kuraray Hong Kong Co., Ltd. ◆

● Kuraray site ● Domestic affiliated companies ▲ Domestic Kuraray Group companies ◆ Overseas affiliated companies

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Triggering changes by ourselves and continuing to take on challenges to evolve to be a truly global company!



Expectations of "People" who Support Kuraray Group

Corporate activities are supported by "people." The following three elements are the elements that I require Kuraray Group members to heed.

First, all people work to be happy. Unfortunate events such as accident, disaster, sickness, and personal injury must not take place in workplaces where people work to be happy. "Realization of secure and safe workplaces and companies" is the first priority in company management and is a commitment to working members.

Second, the theme is "living better." It is desired that Group members conduct work with a high level of ethics and deep "thought," while fulfilling their responsibilities to their families and communities when they are outside their companies, to realize company expansion, as well as human growth and enhancement of their lives, at the same time.

Third, my wish to Group members is that they be "people who can tackle changes." These are the words contained in a book Action Guideline for Management authored by Toshio Doko, a prominent business executive and former honorary chairman of the Japan Business Federation. The ideal image of a company visualized by myself is indeed a group of such persons. The present generation is rapidly changing and the Kuraray Group is desired to be an aggregate of people who confront challenges by forming a clear view of the tide of the times and who trigger changes by themselves.

with superiors who were enthusiastic about providing education and training and was later assigned as a deputy manager to oversee veteran staff who were far older than myself. In my starting days in society, I shared life's joys and sorrows with fellow members in production lines and learned that one must not forget to have a warm heart that values people no matter how rigorous one's work is. With my experience in years as a new member engraved deeply in my heart, I have spent my days at Kuraray with my favorite motto "Rigorous, but Warm."

"Rigorous, but Warm" as the Starting Point

At the beginning of 2015, I took over the task of leading the Kuraray Group from the previous President. I have been with Kuraray for 35 years. I was assigned to a plant when I was first employed. For 20 years after entering the company, I was involved in fiber and textile production and in starting up business in China. I have many years' experience working at production sites.

The starting point of my way of thinking toward work can be traced to my experience in the plants. I was blessed

Challenge of being Global Company "GS-STEP"

Simultaneously with my appointment as President in January 2015, I kicked off a new medium-term management plan, "GS-STEP." I wish the Group companies to be prominent not only in expansion of size, but also in qualitative aspects so as to realize our vision of being "A specialty chemical company with a high rate of return whose presence is prominently felt throughout the world." The Group already has many products that are enjoying high levels of market share thanks to our unique technologies such as POVAL (EVAL) and isoprene products. I wish to further expand the market for such products and to add new value unrivaled by competitor products for use by society.

"STEP" in "GS-STEP" signifies the step of evolving to be a truly global company. During the period of its previous medium-term management plan, Kuraray was active in M&As including the acquisition of the vinyl acetate business from DuPont and Mono-Sol, LLC, a manufacturer of water-soluble films. The Group is now at the stage of integrating and reorganizing these businesses and moving to the next phase with a stronger sense of oneness as a group. A variety of difficulties are anticipated in this process, but the Group is determined to dynamically meet the important challenge of further growth.

Challenge: To be a group that flexibly confronts changes through interaction

The history of the Kuraray Group has indeed been a history of responding to various changes of the times, aiming to harmonize between companies and people and between companies and the earth environment. Many themes remain to be resolved between the earth's environment and economic society such as water and food problems, as well as resource and energy problems. Even before "environmental pollution" became a social problem in Japan, Kuraray entertained the notion of the waste disposer's liability and was active in fostering a relationship of trust through environmental conservation and in interaction with local communities, to prevent nuisance caused to the local communities and the earth's environment while enterprises make profit. If an accident or disaster should happen, the Kuraray Group companies share measures to ensure



safety with local governments. Additionally, interaction with their customers, partner companies, and shareholders is deepened. The Kuraray Group values interaction with people throughout the world even though their faces are not visible to it.

Thinking about the way the future industry should be, the time has come for enterprises to think by themselves of business models of manufacturing products with a higher value added from small amounts of resources, paying attention to the limit to available resources and to producing a reasonable profit as a price for supplying such products to society. All enterprise activities should be undertaken to provide excellent products and services for their customers and society, to return profits earned there to the shareholders and to bring pride and happiness to their employees and to all people engaged in such activities. I wish the Group companies to be companies that undertake manufacturing with this notion in mind.

The Group is committed to challenge a rugged road and create changes no matter how rugged the road will be, aiming to achieve higher growth.

Masahiko Ito

Representative Director and President

CSR Activities at Kuraray Group

Ever since its foundation, Kuraray has valued its bonds with society through business activities, believing that fulfillment of its responsibility as a good corporate citizen is a prerequisite for the sustainable continuance its existence.

The corporate statements declared by the Kuraray Group embodies its basic stance in relation to corporate social responsibility (CSR).

■ Corporate Statements

Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.
For people and the planet — to achieve what no one else can.

Our Values

(Philosophy)

- Respect for individuals
- Close cooperation to attain shared goals
- Constant creation of new value

(Guiding Principles)

- Safety is the cornerstone of everything we do
- Customers' needs are our top priority
- We act on ideas in the workplace

Our Commitment

- We will constantly develop and provide safe, high-quality products and services.
- We will maintain a sound relationship with society through good communication.
- We will strive to preserve and improve the global environment, and to secure safety and health in all our workplaces.
- We will value all members of the Kuraray community and respect their rights.
- We will always conduct businesses in a free, fair and transparent manner.
- We will honor all intellectual property and secure data and information in a proper manner.

Code of Conduct of Kuraray Group

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Safety and Quality of products and services • Disclosure of Corporate Information • Anti-Bribery/Rules for Donations • No Relationships with Anti-Social Group • Contribution to Society • Environmental Preservation | <ul style="list-style-type: none"> • Safety and Disaster Prevention • Safe and Comfortable Workplace • Respect for Human Rights • Enhancement of Diversity, Equal Opportunity • Compliance with Antitrust/Competition Laws • Prevention of Unfair Competition | <ul style="list-style-type: none"> • Compliance with Laws Related to Exports and Imports • Prohibition on Entertainment and Gift in an Excessive Manner • Prohibition on Conflicts of Interest • Prohibition against Insider-Trading • Protecting Trade Secrets • Protecting Intellectual Property |
|--|---|--|

[Our Mission] is the answer to the fundamental question "Why do we exist?", and it declares our Group's commitment to how we will contribute to society. [Our Values] expresses what we believe in - the things we think matter most. These are common values manifested in all corporate activities. The basic spirit maintained since the foundation of Kuraray is incorporated in [Our Values].

On the other hand, [Our Commitment] declares how we fulfill our accountability and respond the social expectations of the social context in which we operate. Our [Code of Conduct] clarifies the "Our Commitment" mentioned above. These standards form the basic compliance principles that we must enforce.

■ Concept of CSR



As a corporate group engaged in manufacturing, the Kuraray Group creates economic and social value through its excellent products and services and provides these products and services to the market.

Maximizing its technology that is rich in originality and peculiar to the Kuraray Group nurtured in the chemical domain, the Group believes that its most fundamental responsibility as a company group is to provide solutions to global social issues through its business activities such as resource saving, energy saving, environmental conservation, and enhancement of quality of living.

All these business activities are undertaken based on compliance (compliance with laws, regulations, and social norms), risk

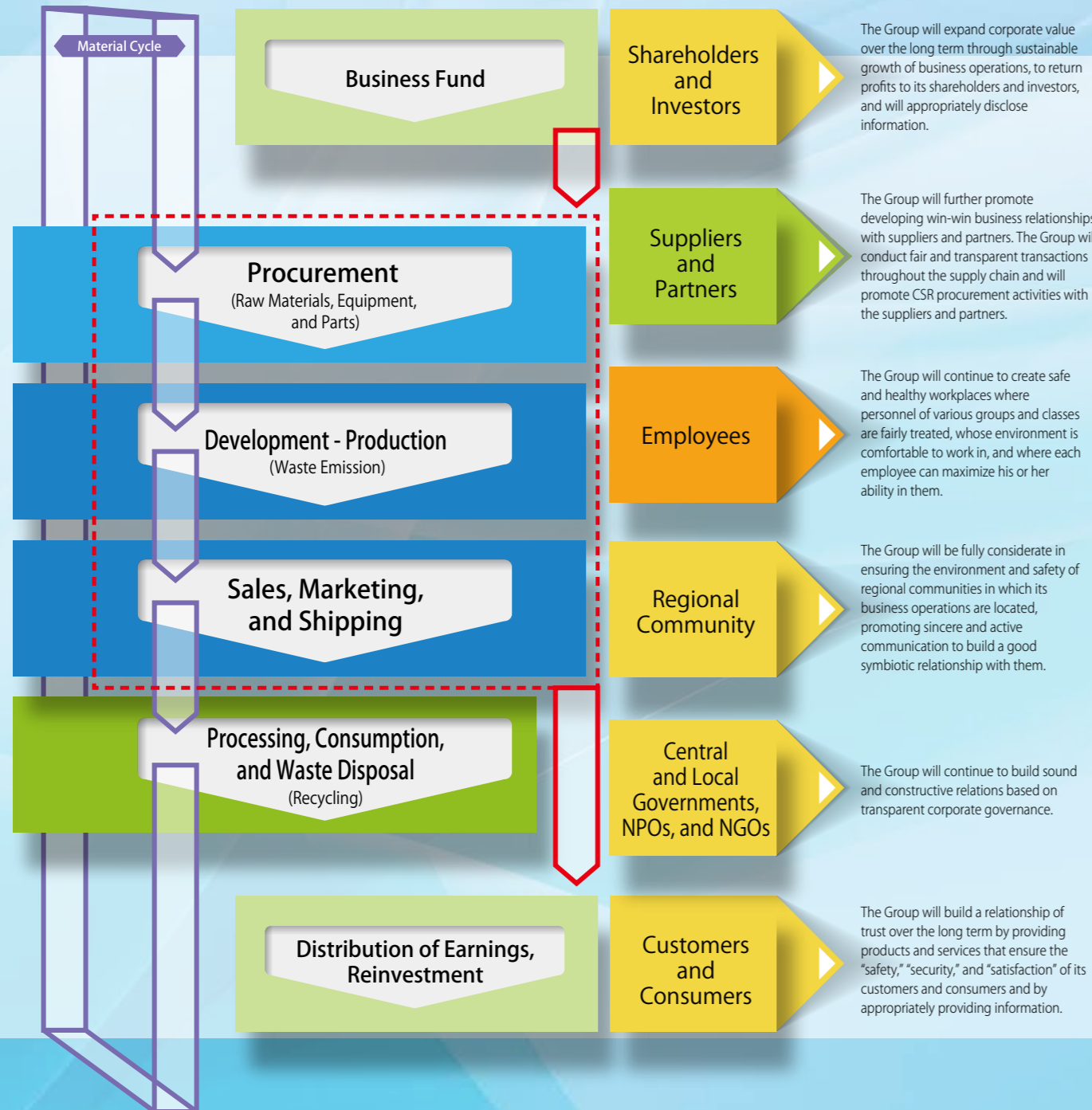
management, and on top of everything all "safety." Additionally, quality management in manufacturing provides support in creating values.

On the other hand, all company activities are supported through dialogues with stakeholders (shareholders and investors, customers and consumers, regional communities, central and local governments, NPOs, NGOs, employees, suppliers, and partners). The employees, suppliers, and partners, who participate directly in business activities themselves, are also important stakeholders.

The Kuraray Group will continue to fulfill its CSR through its company activities by further deepening its dialogues and cooperation with the stakeholders.

The Kuraray Group interacts with a variety of stakeholders in each process of its value creation activities as it manufactures products and provides services. Responsible consideration given to its stakeholders is considered an indispensable condition to sustainably engage in its corporate activities.

Responsible Consideration to Stakeholders along the Value Chain



The Kuraray Group is engaged in the business of providing its products and services by adding higher value to resources received from society. The responsibility that needs to be fulfilled as a manufacturer is to give maximum consideration not only to impacts on its stakeholders related to the entire material cycle ranging from the activities in which the Group is directly involved, namely, procurement, development, production, selling, and shipping, but also to processing, consumption, waste disposal, and

recycling after selling and shipping products to the customers. On the other hand, the Group believes that it is also an important responsibility to invest funds received from its shareholders and investors for business operation, to distribute the results earned in such investment, to reinvest the funds in equipment and research and development for sustainable growth and to appropriately return such earnings to employees, social contribution activities, and other purposes.

Medium-Term Management Plan "GS-STEP"

As a compass for its value creation activities, the Kuraray Group has developed and is implementing a medium-term management plan. A new three-year plan "GS-STEP" has been implemented in fiscal 2015. The new plan aims to bring the measures implemented in the previous medium-term management plan "GS-III" to fruition to increase the earnings of the Group and to build a management base for the expansion of business in the next phase in realizing our vision of being "a high-profit specialty chemical company with a global presence" which is an ideal future image of the Group.

"GS-STEP" Propels Five Main Management Strategies

1) Deepening of core business

Increase competitive advantages by producing results from the effects of investments including business acquisitions and production capacity expansion for a more solid foundation in businesses where Kuraray products are number one in market share or the only ones of their kind. In addition, lay the groundwork for further growth.

2) Technological innovation

Create new business by using highly distinctive, original Kuraray technologies and accelerating their rollout to new domains and technologies. In addition, establish new and improved processes to achieve overwhelming superiority in product quality and cost.

3) Next-generation growth models

Work to expand into new business domains by making more effective use of external resources, including M&A and alliances. In addition, take on the challenge of establishing an innovative business model for corporate activities including research and development, technical services, manufacturing and sales, and indirect operations.

4) Optimum allocation of management resources

Raise the quality of global management through the optimal allocation and proactive use of management resources such as the expanded bases and human resources resulting from the integration of GLS business and other initiatives.

5) Contribution to the environment

Expand provision of products that contribute to the global environment. In addition, use production processes that reduce environmental load.

The Kuraray Group will steadfastly implement "GS-STEP" and will do its utmost to accomplish the foregoing targets to fulfill its mission of "For people and the planet - to achieve what no one else can."

Targets for Business Performance

	FY 2014*	FY 2017 Plan ("GS-STEP")
Net sales	¥485 billion	¥650 billion
Operating income	¥51.4 billion	¥90 billion
Operating income to sales	10.6%	13.8%

*Jan. 1 to Dec. 31, 2014 (see p2 "Reporting Period")

Main Management Strategies of "GS-STEP"

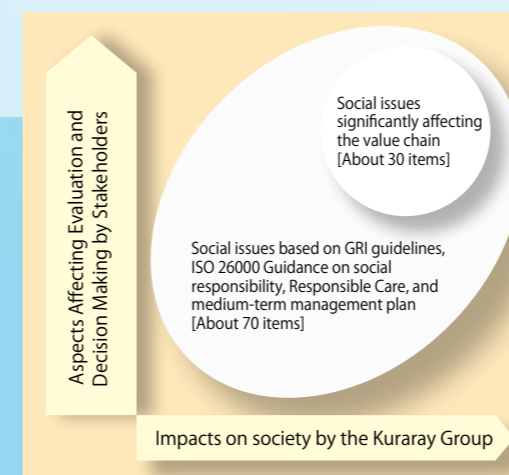


Identification of Materiality

The Kuraray Group is identifying priority issues (materialities) to manage its impact on society and to deal with issues that are truly important.

In Step 1, about 70 issue items have been selected as those that affect its business activities including items related to its medium-term management plan "GS-STEP," in addition to those aspects that are identified in the 4th version of the GRI Guideline (G4), ISO 26000, and Responsible Care.

In Step 2, an evaluation has been made as to which parts of the value chain of the Kuraray Group affect the selected social issues and about 30 items that are considered to be high in priority for taking action have been selected. At the same time, aspects that affect evaluation and decision making by stakeholders have been ranked as high priority. Priority issues have been identified by weighing these two viewpoints. The activity plan will be developed and verification of its validity will be made in the future.



CSR Management

Corporate Governance

We at Kuraray view corporate governance as necessary for the maintenance of sound relations with our shareholders and the various other parties in society with a stake in our company. We consider it vital not only for assisting in the improvement of our performance and sustained growth as a company but also for fulfilling our responsibility to society.

In fiscal 2003, we executed a program of reform in which we reinforced the Board of Auditors by adding more outside auditors, established the Management Advisory Council, reduced the prescribed number of directors while shortening their terms of office, and introduced an executive officer system in order to clearly separate the supervisory and executive functions. In fiscal 2008, we made further enhancements to the Company's system of corporate governance by appointing outside directors.

Board of Directors and Board of Corporate Auditors

The board of directors consists of 12 persons, including two directors recruited from outside the Company for decision making, on important management matters, executing monitoring and supervision of the execution of corporate business at the same time. The board of corporate auditors consists of five persons including three outside auditors and its members attend important meetings such as meetings of the board of directors. The auditors audit the business execution of directors by hearing the business execution status from them, by auditing business sites of the Group and by other methods.

Officers' Remunerations

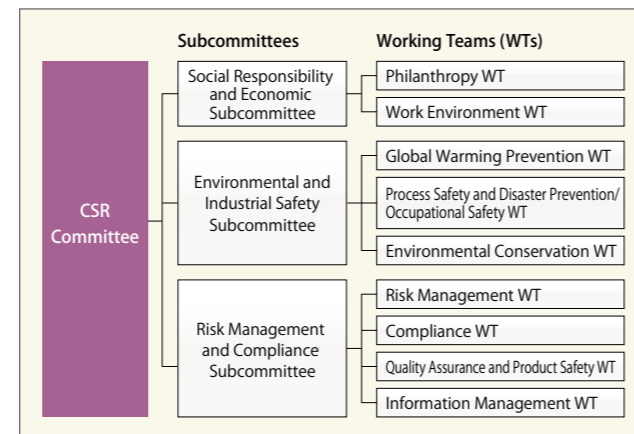
Officers' remunerations are designed to be on a remuneration level and a remuneration scheme commensurate with their work functions based on the basic recognition and policy of compensating them as a price for realizing a long-term and sustainable enhanced corporate business performance and corporate value. The amounts as bases of such remunerations are paid after consulting the

Management Advisory Council, which has seven members including four outside experts who have in-depth experience in management and legal affairs.

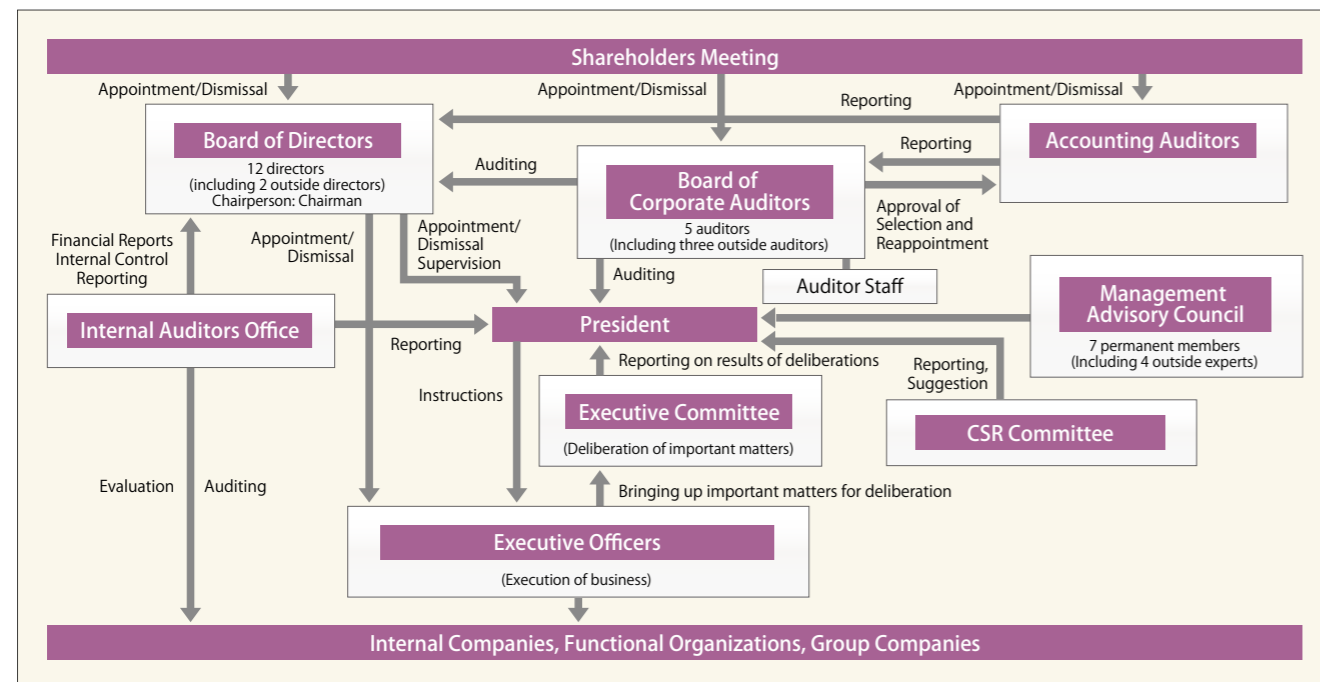
CSR Promotion Structure

In 2003, Kuraray instituted the CSR Committee by integrating the Philanthropy and Environment Committee and In-house Ethics Committee, and bolstered its CSR promotion structure on a Group level. Under the CSR Committee are arrayed three subordinate committees as specialized units on the management level (the Social Responsibility and Economic Subcommittee, Environmental and Industrial Safety Subcommittee, and Risk Management and Compliance Subcommittee). These committees examine Companywide policies and targets and report on the same to management. The theme-specific working groups making up the subordinate committees

CSR Committee Organization



Organization Chart for Corporate Governance



(As of March 2015)

collaborate with various Group units in addressing their respective agenda based on the CSR-related policies. By including responsible directors and the presidents of all Group companies as members of the CSR Committee we are taking steps to put in place a system that is capable of considering a host of issues from an increasingly wide range of dimensions

In fiscal 2014, a review of the organizations of the subcommittees and working teams (WTs) was made.

Social and Economic Subcommittee

The Social and Economic Subcommittee has organized the Philanthropy WT, tasked to study the direction for social contribution and to integrate social contribution activities, and Work Environment WT, tasked to promote employee diversity and to study systems for employee fostering, fair and impartial employee evaluation and other aspects. The subcommittee functions to develop a sound organizational culture allowing each employee to humanly grow through work, to create employment opportunities and to promote activities to deal with social challenges and so forth as a corporate citizen.

Environmental and Industrial Safety Subcommittee

The Environmental and Industrial Safety Subcommittee organized three working teams (WTs), namely, Process Safety and Disaster Prevention/Occupational Safety WT, Global Warming Prevention WT and Environmental Conservation WT, and is actively challenging

various issues related to the environment and industrial safety. The Process Safety and Disaster Prevention/Occupational Safety WT is promoting the creation of safe workplaces free of occupational accidents and disasters by enhancing the safety awareness of the employees. The Global Warming Prevention WT and Environmental Conservation WT are promoting measures to prevent global warming and environmental conservation activities through controlling the emission of chemical substances, utilizing industrial waste effectively.

Risk Management and Compliance Subcommittee

The Risk Management and Compliance Subcommittee has organized four WTs under it, the Risk Management WT, Compliance WT, Quality Assurance and Product Safety WT and Information Management WT. The Risk Management WT is continuously reviewing the system for identifying risks that seriously affect company management and for managing and operating such risks. The Compliance WT is continuously promoting activities to build a companywide compliance culture. In fiscal 2014, the Quality Assurance and Product Safety WT and Information Management WT were reorganized. The Quality Assurance and Product Safety WT kicked off an activity to upgrade the quality management level companywide from the standpoint of managing product risks such as product liability problems and accidents. The Information Management WT develops and implements measures to deal with risks of leakages of trade secrets and personal information that are increasing recently.

Compliance

Kuraray has built an organizational culture in which executives join with each and every employee in taking action underpinned by a keen sense of ethics as good citizens. We have mounted approaches to compliance that go beyond the mere observance of laws and regulations in order to ensure corporate transparency and fairness. In 1998, Kuraray set its Principles for Business Conduct manifesting the desired optimum condition of each of its employees so that entire corporate activities harmonize with the earth environment and civil society. In 2005, Kuraray compiled the Kuraray Group Code of Conduct that specifically expressed norms on its corporate activities and a compliance handbook that included an explanation of specific cases. These documents have been distributed to the Group employees for guidance.

Year	Activity Details
1998	Formulated Our Principles for Business Conduct (Changed to [Our Commitment] In 2015)
2003	Compliance Declaration Distributed Compliance Cards
2005	Distributed the Compliance Handbook (1st edition)
2009	Distributed the Compliance Handbook (2nd edition)
2007 - 2010	Published and distributed Compliance Handbooks to overseas bases in the U.S., Germany, China, Belgium and Singapore
2012	Commenced posting of compliance news on the Company's website
2013	Commenced compliance education based on e-learning

Compliance Declaration

In 2003, the Kuraray Group issued its Declaration of Compliance and is committed to society to give priority to law and regulation compliance and to its Principles for Business Conduct over corporate profits.

Education and Enlightenment Activities

As part of an effort to raise the compliance awareness among its employees, the Kuraray Group posts cases that have taken place outside the Group and that have become social problems on its internal website (11 cases posted in fiscal 2014). A series of compliance education is provided to various learner segments on different themes through e-Learning. In fiscal 2014, education and training were provided to managerial personnel of Kuraray and its domestic affiliated companies on subjects such as personnel management and personal interactions in workplaces. All the 727 employees who were selected to receive education and training attended the lecture sessions. The Kuraray Group will continue to provide compliance education and training on a variety of fields in a planned manner.

Internal Reporting System

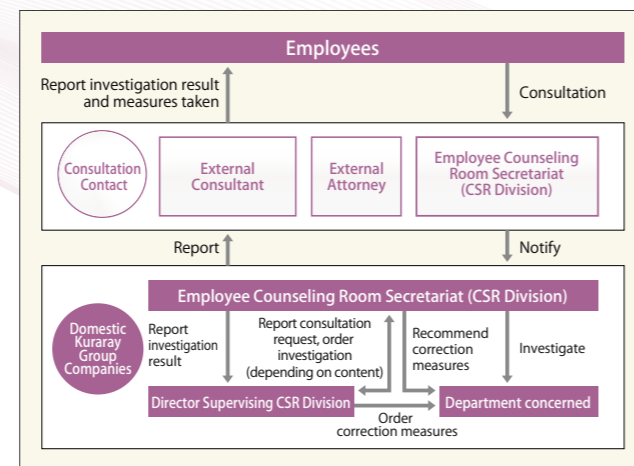
We set up the Kuraray Group Employee Counseling Room as the center of our internal reporting system for all employees of domestic Group companies (including contract-based, temporary and part-time staff). The system is aimed at preventing compliance violations as well as the early detection and resolution of the same. We also provide our employees with information on methods of internal reporting and rules for the protection of informants through our intranet and in-house magazine. In addition, our overseas affiliated companies have each set up their own internal reporting systems.

Furthermore, each of our offices is equipped with a special consultation office related to sexual harassment, staffed with personnel including female employees.

Number of Consultations at the Kuraray Group Employee Counseling Room

FY	2010	2011	2012	2013	2014
Number of Consultations	2	2	5	1	1

Internal Reporting System (Domestic)



Risk Management

To further enhance our management structure at the Group level, we are working to improve Companywide risk management. Based on self-assessments made by the heads of divisions, plants, subsidiaries, and administrative organizations, we are identifying actual risks facing each structure and identifying those judged to be major risks. The CSR Committee selects, evaluates and deliberates on those risks in particular that management ought to address and promotes appropriate responses. In addition, the President provides instructions to each structure with the aim of ensuring a swift response to changes in the risk environment through the annual Kuraray Group Basic Policy on Risk Management.

Kuraray Group Basic Policy on Risk Management for Fiscal 2015

- Kuraray Group Basic Policy on Risk Management for 2015 is to:
- continually preserve operational skills and technology transfer between the followings to prevent occupational incident and process accident;
 - Experienced people to inexperienced people
 - Domestic companies and overseas companies and to
 - formulate, verify effective business continuity plans (BCP) and extend coverage of the BCP

BCP Activities

Since the Kuraray Group has many businesses that command large shares of the market and that are based on original technologies, we also create and take steps to enhance a business continuity plan (BCP) for core businesses taking the risk of a prolonged suspension in supply into consideration. In fiscal 2012, we formulated a Companywide policy related to our BCP.

Companywide Policies for BCP (Business Continuity Plan)

- Give top priority to securing the safety of regional residents, employees
- Aim for the early recovery/restoration of businesses/regions
- Act in unison with regional society for recovery/restoration

Information Management Activities

The management system for trade secrets has been reviewed for improvement and for stricter management. In conjunction with the implementation of My Number System in Japan, a review of management rules on various personal information has been started.

Quality Management

At the Kuraray Group, we have created a system that enables the consistent provision of products that satisfy the requirements of individual customers by way of quality management systems such as ISO9001 and ISO13485, which are primarily managed at the manufacturing site level, and quality management in accordance with the flow of goods in each business.

The CSR Division has launched the Quality Assurance and Product Safety WT to strengthen the quality management mechanism that links the entire activities of the divisions and activities of important individual processes. These are the first step in companywide quality management to meet customer needs. We identify challenges that are common among the divisions and improve quality level by the entire Group in the future.

From fiscal 2012 that is the starting year of the Medium-Term Management Plan GS-III, the EVAL Division has kicked off a quality assurance reinforcement project to further enhance customer satisfaction in three years. In fiscal 2014, small-group activities were continuously practiced as a core activity. The results achieved in three years by this project were verified and the project proved to be meaningful. A continuation of this project for two more years was decided. The GENESTAR Division has also decided to launch similar activities.

The CSR Division will ensure the fixation of quality management activities and expansion of results to similar processes and products in each division and continuously support the standardization of work.

Responding to Product Complaints

At the Kuraray Group, we are working to respond quickly to complaints and prevent reoccurrence through the integrated management of information on complaints. We respond to major cases in accordance with the Regulations on Product Liability-related

Accident Response and Quality Complaint Report.

In fiscal 2014, there were no product recalls or accidents causing major health problems or damage to property such as fire.

Stakeholder Communication

Based on the Kuraray Group Information Disclosure Policy set in May 2007, the Kuraray Group is disclosing precise information to its stakeholders in a timely manner to fulfill its accountability to

society. In addition to fulfilling responsibilities to its stakeholders, communication between its stakeholders and the Group is promoted.

Stakeholders	Opportunity	Tools
Shareholders and Investors	General meetings of shareholders, plant tours, meetings to explain settlement of accounts	Reports to shareholders, financial statement reports, financial statements
Suppliers and Partners	Purchasing activities, safety councils, liaison meetings, etc.	Data for explanation of medium-term management plan
Employees	Employee awareness surveys, labor-management meetings, personnel evaluation interviews	Website (kuraray.co.jp/) CSR Report (Kuraray Group version, division versions) Fact Book, Annual Report
Local Communities	Dialog with local communities by Responsible Care Subcommittee Meetings with local residents' associations for exchange of views Plant tours, chemistry classes for boys and girls Cherry blossom viewing parties, summer festivals and other events	Intranet, in-house LAN, in-house report (Kuraray Times) News releases
Local Governments, NPOs, NGOs	Plant tours, firefighting drills, volunteer activities	Company brochures, product pamphlets, safety data sheets (SDS's)
Customers and Consumers	Sales and marketing activities, trade fairs (Eco-Products Fair and other fairs), questionnaires	Advertisements, publicity, TV commercials

Interchange with Local Communities

The Kuraray Group sponsors plant tours, summer festivals and other events at its plants and sites and is actively and continuously promoting interchanges with local communities.

The Saijo and Niigata Plants of Kuraray sponsor cherry blossom viewing parties in their premises tuned to cherry blossoming seasons. In fiscal 2014, a total of about 11,000 people visited the plants to enjoy viewing cherry trees in full bloom. The Kurashiki Plant continuously sponsors a Christmas fantasy event each year to view Himalayan cedar trees that are lighted up to adorn the night sky.

Investor Relations Activities

The Kuraray Group undertakes IR activities for its shareholders and investors based on a focus on reliability and fairness of its investment information.

An effort is made to provide appropriate and fair information as needed such as video dispatch of scenes of meetings to explain closing of accounts and general meetings of shareholders to general investors through its website, in addition to holding meetings to explain closing of accounts to institutional investors. Meetings to explain business activities of the Kuraray Group and other events are sponsored for personal investors to deepen their understanding of the Kuraray Group.

Video footage in English of scenes at meetings to explain the closing of accounts is sent to institutional investors in Europe, North America, Asia and other regions. Additionally, institutional investors in these regions are periodically visited to report management information on the Group and to beef up dialog with them.



Cherry blossom viewing party (Niigata Plant)



Shareholders Meeting

— Preparing for unexpected Process Accident and disaster with regular emergency drill — Comprehensive Emergency Drill by the Kuraray Group



Comprehensive Emergency Drill at the Niigata Plant

Comprehensive Emergency Drill at the Kashima Plant



New Year Parade of Self-fire Department at the Okayama Plant



Tsunami Evacuation Drill at the Kurashiki Plant



Emergency Headquarter drill at Tokyo HQ

Process Accident and Disaster Prevention

In our business operations, the Kuraray Group handles large amounts of inflammable materials, high-pressure gases, and other hazardous materials. Therefore Kuraray Group Plants maintain fire protection and firefighting equipment. Each plant organizes self-fire department and conducts regular emergency drills in preparation for process accidents and disasters. In fiscal 2014 also, all the plants undertook emergency drills, emergency alert drills, tsunami evacuation drills, and other drills in cooperation with local public fire department, on various suppositions such as fire, leakage of a hazardous material, earthquake, or tsunami in accordance with the hazardousness of the materials handled.

Voice



Striving to Maintain and Upgrade Firefighting Techniques in Preparation for Emergencies

Toshiei Kiriu, Chief, Self-Fire Department, Niigata Plant

We, Niigata Plant Self-Fire Department, are striving to maintain and upgrade our firefighting techniques in preparation for external emergencies cause analysis and learning the latest firefighting techniques.

Drills are routinely conducted to minimize damage in case of a fire or other accident.



Training at the Saijo Plant on use of firefighting equipment



Contest at the Saijo Plant on use of hydrants



Mock drill by the Anti-Disaster Headquarters, Niigata Plant

Because companywide crisis management is needed in a severe accident, at Kuraray, we regularly conducts Company Emergency Headquarters drill, which is headed by the President.

Safety Activities

Concept, Policy, and Guideline

Concept on Occupational Safety and Disaster Prevention

“Safety is the Cornerstone of Everything We Do”

Basic Policy on Occupational Safety and Disaster Prevention (FY 2015)

- Ensuring “Safety First and Production (Construction and R&D) Second”
- Do “CHECK” in order to eliminate Unsafe Situation (action, behavior, condition) in every aspect of Your Operation
- Aiming to achieve zero accidents and disasters, all employees act with sense of ownership and responsibility

Basic Policy on Product Safety

Targeting contribution to realizing an affluent and comfortable society by responding to customer needs through supply of products that are safe and reliable.

Activities on Occupational Safety, Process Safety, and Disaster Prevention

The Kuraray Group is promoting creating safe workplaces that are free of occupational incidents, process accidents, and disasters by raising the safety awareness of our employees and operating a safety management system for preventing occupational incidents and process accidents through early discovery of the risks for

them. In preparation for accidents or disasters, we make efforts to minimize damage and to prevent the recurrences accidents or disasters, such as emergency drills, sharing information of accidents or lessons.

Targets and Performance in Safety Priority Activities

Evaluation: O Accomplished, Δ Nearly accomplished, X Not accomplished

Item	Target	FY2014		Evaluation	FY 2015 Priority Activity
		Performance			
Process Safety and Disaster Prevention	Measures to Prevent Process Accidents	Setting the detail conditions to prevent process accidents Measures to reduce risks of tanks which nitrogen does not fill internally		O	<ul style="list-style-type: none"> • Enhancement of safety awareness of individual persons • Comprehensive understanding of risks and steady implementation of measures • Promotion and implementation of measures for preventing process accidents • Transfer of operational skills and technology from experienced persons to inexperienced persons (know-why) and sustainable continuation • Global spreading of safety activity management
	Transfer of Operational Skills and Techniques from experienced persons to inexperienced persons (Know-Why activities) and sustainable continuation	Transfer of operational skills and techniques utilizing career development plan (CDP) incorporating “know-why” activities Installation of new system that integrate education and training		O	
	Comprehensive Understanding of Risks and Steady Implementation of Measures	Implementation of risk assessment (RA) aiming at improvement the comprehensiveness Review of the Risk Assessment results that the soft countermeasures has implemented for the risks		O	
Occupational Safety	Compliance with Rules to be Observed	Education on laws and regulations Reconfirmation of basic rules Patrolling check of compliance		O	
	Enhancement of Safety Awareness of Individual Persons	KYT (Ki ken Yoshi training - hazardous prediction training) and Pointing and call activities are implemented as routine practices. Individual groups in every department has undertaken tailored activities.		O	

Numerical Targets and Accomplishments

Item	Target (Inside and Outside Japan)	FY2014			Evaluation	FY 2015 Target (Inside and Outside Japan)
		Japan	Outside Japan	Inside and Outside Japan		
Process Safety and Disaster Prevention	Number of Accidents: 0 cases	1	0	1	X	Number of accidents: 0
Occupational Safety	Number of Lost Time Incidents: 0 cases	5	17	22	X	Number of Lost Time incidents: 0
	Frequency Rate of All Occupational Incidents: 1.5 or less	1.14	9.82	3.23	X	Frequency Rate of All Occupational Incidents: 1.5 or less

Frequency rate of all occupational incidents: Number of all occupational incidents per million working hours. All occupational incidents are defined as incidents requiring at least minor medical attention, based on the definition of a recordable incident by OSHA (Occupational Safety and Health Administration) of the US.

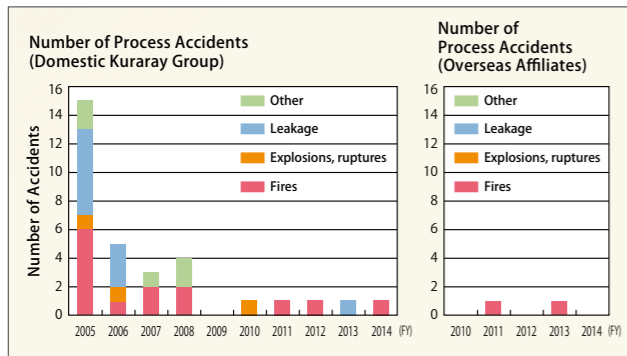
Safety Management

In accordance with Corporate's Safety Activity Management Regulations, the Kuraray Group develops a safety plans every fiscal year and operates them to ensure occupational safety, process safety, and disaster prevention. To be more specific, each year, at the Safety Promotion Committee attended by the President and executives in charge, we makes an overall assessment and discussion of safety activity performances of previous year and decides activity policy for the coming fiscal year, and we disseminate decided activity policy to all Group companies. In line with this policy, the Group companies are conducting safety activities that reflect the specific action plans of each plant and department. A group of safety representatives

from the headquarters, including the executives in charge, visit every plant twice a year to conduct Internal Safety Audits on their safety activity plans, progress management, and the results. Every department understands their weak points and strong points related to industrial safety with Safety Level Evaluation System, which is composed as tool to evaluate objectively their safety level and weak points. In addition to these, each department has been carrying out the PDCA cycle of safety activities efficiently and effectively. Beginning fiscal 2015, the Kuraray Group changed its fiscal year from April to March of the following year to January to December. The following actual safety data is retabulated to reflect data for January to December including past data.

Process Safety and Disaster Prevention

At the Kuraray Group, we consider it a major responsibility to prevent the occurrence of explosions, fires, leakage of hazardous materials, and other accidents that could have an immense impact on society, as well as to curtail the damage in the event of any occurrence to the minimum level. For this purpose, we have undertaken activities such as risk assessment related to safety and disaster prevention, quake-damping measures for buildings and plants, and conditioning of the safety management system for facilities in all plants. In fiscal 2014, a slight fire broke out in one of the plants in Japan. This fire was soon extinguished using a fire extinguisher and no personal injury or property damage was caused.

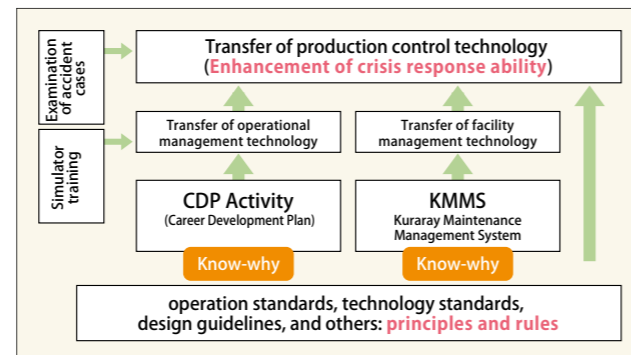


Process Safety and Disaster Prevention Activities in Fiscal 2014

Countermeasures on new sources of hazards learned from accidents at other companies have been taken and lessons learned at other plants of the Group have been applied to other processes and products inside the Group to prevent process accidents. The CDP¹ activity (development of capabilities of individual persons), KMMS² (Kuraray Maintenance Management System), and other programs have been continued for technique and technology transfer and for enhancing readiness to counter crises. These education and training using simulators and e-Learning have been provided for transfer of techniques and technologies in the management of process operation and equipment.

Fiscal 2015 Plans

- We will upgrade operator competence through CDP, KMMS, and other programs.
- We will analyze causes of accidents by examining information on accidents that took place in the past, to upgrade readiness in an emergency by examining many cases of accidents
- In order to enhance the safety management level, we will perform the followings; measures to conform to a new earthquake-resistance standard for equipment, risk assessment in an unsteady state, development of a medium- and long-term facility maintenance plan and personnel development plan, and enhancement of safety management organization, along with other measures



*1 CDP: A system to evaluate levels of knowledge, skills, techniques, technologies, and action characteristics needed for first-line operators in workplaces to visualize them and to compile an assessment chart for mapping of capabilities of all personnel, to set targets for individual persons, and to provide training based on it.

*2 KMMS: A facility management system based on the PDCA cycle (P: Plan making for maintenance, D: Do maintenance work, C: Check and evaluate activity results and reassess maintenance plan, and A: Act to review maintenance plan) by evaluating the importance of each piece of equipment in a unit of production activity and by setting an equipment management system in accordance with risks associated with each equipment. By undertaking activities under this system, operators participate in cause analyses of equipment problems and in reviewing countermeasures and equipment management norms, for furtherance of human resource development and transfer of techniques and technologies from experienced persons to inexperienced persons.

Safety Activities of the Kuraray Group

At the Kuraray Group, every undertakes safety activities tailored to their own circumstances to upgrade safety awareness on occupational safety, process safety, and disaster prevention and to refine hazard sensitivity.

Lectures on Disaster Prevention

Experts on disaster prevention are invited to convene lecture meetings on process safety.



Process safety and disaster prevention lecture meeting at the Niigata Plant

Safety Hands-On Classroom

Recently, hazards are experienced less frequently at worksites and the lowering of hazard sensitivity of individual persons is concerned. Hazard sensitivity is enhanced and maintained through training that incorporates experience of being exposed to hazards.



Experience of being dragged in a roller (Okayama Plant)

KY Contest

Meetings to present the results of KYT (Kiken Yochi Training - Hazardous Prediction Training) that is effective in finding and solving hazard elements are convened. Teams participating in the meetings work hard in friendly rivalry to enhance their KY competence.



KYT contest at the Okayama Plant



KYT contest at the Kashima Plant



Experience of being suspended on safety belts (Okayama Plant)

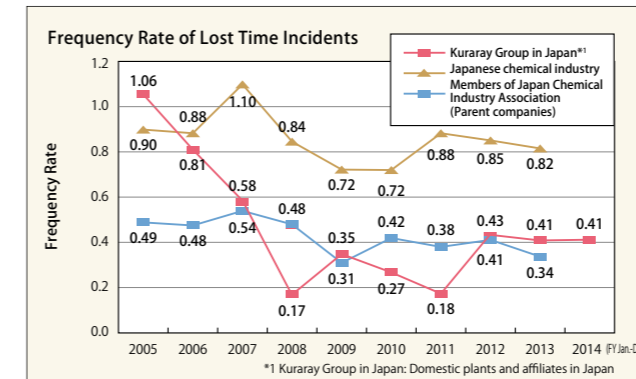


Experience of the edge of a uniform sleeve being dragged into a rotating part of equipment (Okayama Plant)

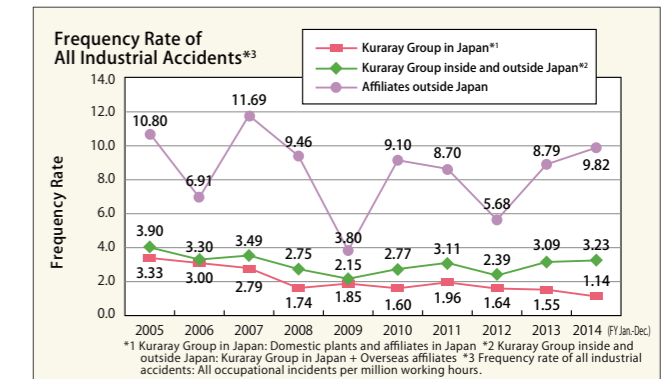
Occupational Safety

Realizing that the safety and health of its employees are the basis of business activities, the Kuraray Group aims to create safe workplaces free of accidents by striving to enhance the safety level of each of its employees and organizations through appropriate implementation of its occupational safety management system. In fiscal 2014, the Group conducted comprehensive risk assessment activities without overlooking danger and hazards, activities to comply with rules that need be observed, and other activities. However, in fiscal 2014, the number of accidents requiring leave for the Kuraray Group in Japan remained the same as that in the previous fiscal year, 5, and the frequency rate was 0.41.

On the other hand, criteria for lost time incidents outside of Japan differ from one country or plant to another and assessment is made



using an indicator called a frequency rate of all industrial accidents more severe than slight incidents, instead of lost time incidents. When a comparison is made using this indicator, the frequency rate of all industrial accidents in fiscal 2014 for the Kuraray Group outside of Japan was high, 9.82, compared with 1.14 for the Group in Japan, averaging 3.23 for the Group inside and outside of Japan. Generally, the companies in Europe and North America undertake activities focusing on preventing severe accidents and the frequency rate of industrial accidents including slight accidents there tends to be higher than in Japan. In fiscal 2015, safety activity management will spread globally, aiming at lowering the frequency rate of industrial accidents outside of Japan.



Logistics Safety

To prevent damage to society at large caused by logistics accidents, the Kuraray Group is engaged in an ongoing promotion of activities to ensure logistics safety in the aspects of product shipment and storage.

The Logistics Safety Conference, which leads these activities, entered its 14th year. In fiscal 2014, the conference introduced safety activity

cases of the logistics companies aimed at ensuring safety in logistics. Two safety training classes with the participation of 27 logistics companies in total were sponsored for application of specific safety logistic measures among them and to enhance safety awareness.

Product Safety

The Kuraray Group believes that the provision of safe products to its customers is its minimum obligation as a manufacturing group, and the first paragraph of the Kuraray Group Code of Conduct points to this idea.

The Group's specific direction is stated in its Basic Policy on Product Safety and Action Guidelines for Product Safety. (Please see page 15.)

The Group conducts daily management at the business unit and affiliate level and has built a system to confirm that product safety and other risks are being managed at an acceptable level when the Group develops and sells products that require companywide examination, such as those that are ingested into the body and those that use nanomaterials through working groups led by the CSR Division. In fiscal 2014, the Group consulted on development projects based on a rule for handling of nanomaterials.

Chemical Substance Management

From fiscal 2012, the Kuraray Group has introduced a new IT system in order to manage chemical substances in an integrated manner without omission.

By managing safety information on raw materials and products supplied to the customers and compliance information in the IT system, compliance with laws and regulations and provision of

information to the customers are made more reliable.

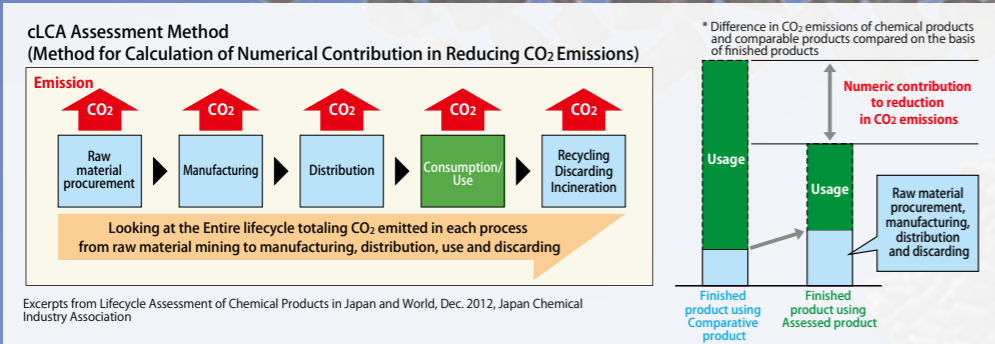
In fiscal 2014, the system for compliance with laws and regulations was reinforced by: 1) Compilation and maintenance of a written procedure to make clear judgments as to whether or not compliance with laws and regulations is required when a new product is developed; 2) Start of operation of a system for management of schedules for compliance with laws and regulations; 3) Launch of a mechanism to confirm chemicals related to revisions in laws and regulations and to implement appropriate actions; and 4) Start of operation of a system for tabulation work in reporting amounts and quantities of chemicals required by Chemical Substances Control Law.

The Kuraray group finished to input MSDSs (material safety data sheets) of products and raw materials into the system and reinforced the organization to ensure accurate information provision to customers.

The Kuraray Group will thoroughly comply with laws and regulations and will further enhance the quality of product information supplied to its customers by continuing to maintain and manage information reliably and also by continuously utilizing the systems in the future.

~ Assessment of Contribution of CO₂ Reductions throughout the Lifecycle of Products Using Kuraray Group materials ~

Great Contribution is made in Reducing Emissions of Greenhouse Gases (GHGs) in Lifecycle from Raw Material Procurement to Manufacturing and Discarding of Final Products.



※cLCA: carbon Life Cycle Assessment

Final product to be assessed	Effect in reducing CO ₂ emissions
Capacitor (For cars and hybrid buses)	316,000 tons of CO ₂ per year
Canister (Device for preventing loss of evaporated gasoline)	
For use in nitrogen gas generator	

* Excerpts from Consulting Report on Assessment of Contribution to Reduction of CO₂ Emissions, May 2015, Mizuho Information & Research Institute, Inc.

Evaluating the contribution of CO₂ Reductions throughout the Lifecycle of Products Using Kuraray Group Materials.

“Chemical products” emit a large amount of greenhouse gases (GHGs) in their processes from mining of raw materials of them to their manufacture. When the lifecycle from raw material mining to discarding of final products such as automobiles and electric home appliances is considered, there are quite a few products that rather greatly contribute to a reduction of GHG emissions. Kuraray manufactures many such products and assesses how much effect such products

have in reducing CO₂ emissions compared with comparable products.

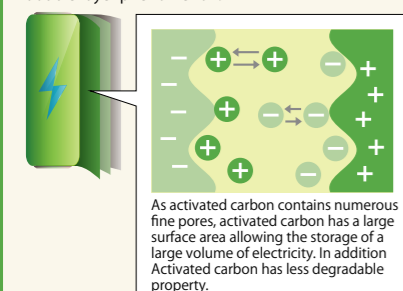
In fiscal 2014, the assessment of “capacitors,” “canisters” and “nitrogen gas generators” was made among products that use activated carbon manufactured by Kuraray Chemical Co. in the Kuraray Group. Activated carbon is known well as a material used in the filters of air purifiers and water purifiers. Recently, activated carbon has become an important material in products that are found near us such as capacitors

(components to store electricity) in automobiles and other products and in devices for the prevention of loss of evaporated gasoline (canisters). The assessment has shown that the three products contributed to reducing about 316,000 tons of CO₂ in total.

The contribution in reducing CO₂ emissions combining the previous assessment made with < EVAL > and < GENESTAR > to the three applications of activated carbon totals about 620,000 tons of CO₂, representing about 50% of the total annual CO₂ emissions by the Kuraray Group in Japan in fiscal 2014.

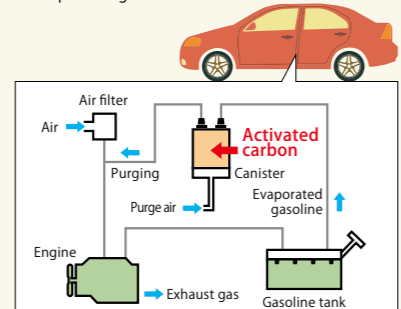
Capacitor

Activated carbons is used as an electrode in electrical storage device by taking advantage of the electric double-layer phenomenon.



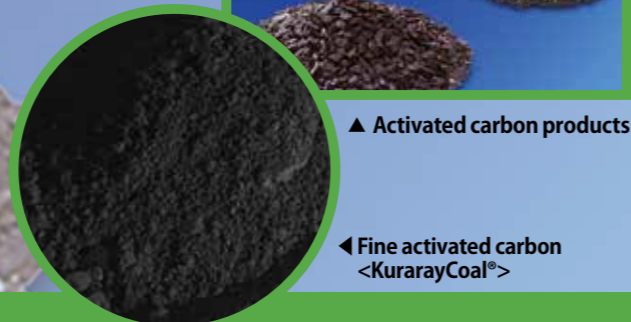
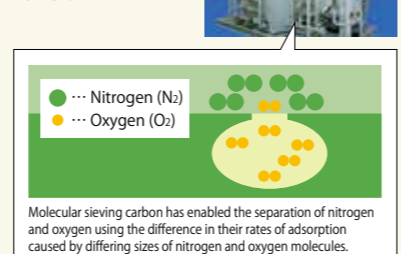
Canister

Activated carbon of high performance for adsorption of evaporated gasoline is in demand.



Nitrogen gas generator

Special activated carbon is also used in systems that separate high-purity nitrogen from air.



Approaches to the Environment

We believe that the Kuraray Group's mission as a material and intermediate material manufacturer is as follows:

- Contributing to society by providing the materials and intermediate materials required for products that are needed to create a low-carbon society and an environmentally conscious society; and
- Production of items with as low an environmental impact as possible.

With this in mind, we are working consistently to implement environmental conservation activities that include promoting measures against global warming, managing chemical substance emissions, and the beneficial use of wastes.

[Note]
As a result of the change in months in each fiscal year, the environmental data and information contained in this report including graphs are as follows.

- Before fiscal 2013: Actuals in 12 months from April to March of the following year
- Fiscal 2014: Actuals for 9 months from April to December + Actuals for January to March 2014 (or estimated value) [Partially overlaps with fiscal 2013]
- After fiscal 2015 (For reference purposes): Actuals for 12 months from January to December

Environmental Targets and Results

Evaluation: ◎ achieved, ○ largely achieved, △ further effort required

	Scope	FY2014			FY2015 target	Medium-term environmental target (FY2020 target)	Achievement rate of medium-term environmental target (to be achieved by FY2014)	Evaluation
		Target	Actual performances	Evaluation				
Global warming prevention	Domestic Kuraray Group	[Measures to reduce GHG emissions] Implement measures to reduce emissions by 20,000t	• Reduced by 34,000t (YoY) • Improved environmental efficiency (GHG emissions) by 18.3% compared with FY2010	◎	Implement measures to reduce by 20,000t	[Environmental efficiency (GHG emissions)] Improve by 40% compared with FY2010	46%	◎
	Overseas affiliates	[Environmental efficiency (energy consumption)*] Improve by 4% compared with FY2010	• Improved environmental efficiency (energy consumption) by 6.7% compared with FY2010	◎	Improve environmental efficiency by 5% compared with FY2010	[Environmental efficiency (energy consumption)] Improve by 10% compared with FY2010	67%	◎
Management of chemical substance emissions	Domestic Kuraray Group	[Management of JClA-designated PRTR substance emissions] Maintain emissions at FY2010 level (1,104t)	• JClA-designated PRTR substance emissions: 985t • Improved environmental efficiency (PRTR substance emissions) by 31.9% compared with FY2010	◎	Maintain emissions at FY2010 level (1,104t)	[Environmental efficiency (JClA-designated PRTR substance emissions)] Improve by 100% compared with FY2010	32%	△
Reduction of Waste	Domestic Kuraray Group	[Measures to reduce waste] Implement measures to reduce waste by the equivalent of 1% relative to FY2013 (808t)*	• Amount of waste reduced: 1,300t • Improved environmental efficiency (waste generated) by 8.1% compared with FY2010	◎	Implement measures to reduce waste by the equivalent of 1% relative to FY2014	[Environmental efficiency (waste generated)] Improve by 10% compared with FY2010	81%	◎
	Overseas affiliates	[Environmental efficiency (waste generated)] Improve by 4% compared with FY2010	• Lowered environmental efficiency (waste generated) by 1.7% compared with FY2010	△	Improve environmental efficiency by 5% compared with FY2010	[Environmental efficiency (waste generated)] Improve by 10% compared with FY2010	▲17%	△
Effective utilization of water resources	Domestic Kuraray Group	—	—	—	Because the plants are located inside Kuraray Group premises in Japan, the risks of being exposed to water supply shortage are low for the moment. Possibilities of immediately impacting the environment are low even if water consumption at the current level is continued. A numerical target therefore will not be set for the moment	—	—	—
	Overseas affiliates	[Environmental efficiency (Water consumption: Excludes seawater)] Improve by 4% compared with FY2010	Lowered environmental efficiency (water consumption) by 22% compared with FY2010	△	Improve environmental efficiency by 5% compared with FY2010	[Environmental efficiency (water consumption)] Improve by 10% compared with FY2010	▲22%	△

* Almost all electric power and steam is purchased from external sources at Kuraray's overseas affiliated companies. Because the source of supply has a large effect on GHG emissions (changes in emission factor), energy consumption is evaluated without incorporating the impact of the supply source in order to properly evaluate the activities of our overseas affiliated companies.

Environmental Management

Environmental Management System

The Kuraray Group has set the Kuraray Group Action Guidelines for the Global Environment and Environmental Activity Policy (Policy of Environmental and Industrial Safety Management Center). Based on this guideline and policy, the Group is undertaking environmental conservation activities in accordance with the PDCA (plan-do-check-act) cycle at each plant and affiliated company by developing an activity plan, by implementing activities, by result verification and by reflecting verified results for the plans for the following years.

The plants and affiliated companies of the Kuraray Group in Japan have individually acquired ISO 14001 (Environmental management systems) certification and maintain high environmental awareness. The Kuraray Group head office has been auditing environmental data reported to the central and local governments by the plants and affiliated companies. (In fiscal 2014, environmental data of the Okayama Plant, Tsukuba Research Center and Kuraray Plastics Co. was audited by the Kuraray Group head office.) Inappropriate handling of environmental data has not been found in the environmental data audit so far, indicating that appropriate handling of the environmental data has already been deep-rooted within the Group. A new scheme is therefore studied for implementation beginning fiscal 2015. A prior screening is carried out before installation or an expansion of a facility whether or not compliance with environmental laws and regulations is made and environmental load is minimized satisfactorily in accordance with the Safety and Environment Examination Standards. Facility installation or expansion is made employing a method that minimizes the environmental load.

Kuraray Group Action Guideline for the Global Environment

Basic Guidelines

We fulfill our responsibility to future generations through sustainable corporate activities that are in harmony with the global environment and the local community. In order to achieve these basic guidelines, we will undertake the following activities.

- 1 We will assign the highest priority to the environment and safety in the course of our corporate operations.
- 2 We will work to improve the global environment and ensure its sustainability.
- 3 We will develop technologies and products that contribute to the goal of improving the global environment.

Action Principles

- 1 Continual reduction of designated chemical substance emissions into the environment
- 2 Contribution to the prevention of global warming
- 3 Promotion of conservation, reuse and recycling of resources
- 4 Development and supply of technologies for improving the environment and products with low environmental impact
- 5 Utilization of environmentally friendly products
- 6 Public disclosure of environmental information and dialog with the community
- 7 Raising the levels of environmental consciousness and environmental management
- 8 Cooperation with stakeholders

Policy of Environmental and Industrial Safety Management Center for Fiscal 2015

- The Kuraray Group tackle following themes
 1. Promotion of environmental conservation and environmental improvement activities in accordance with the environmental management system
 2. Compliance with statutory requirements
 3. Continuous improvement of environmental load to accomplish medium-term environmental targets.

Approaches to the Environment

Organization for Promotion of Environmental Conservation

To undertake companywide environmental conservation activities, at Kuraray, the Environmental and Industrial Safety Subcommittee is organized under the CSR Committee supported by the Global Warming Prevention Working Team (WT) and Environmental Conservation WT, to tackle tasks such as measures to prevent global warming, management of chemical substance emissions and effective utilization of industrial waste.

Medium-term Environmental Targets

We have formulated a medium-term environmental plan aimed at fiscal 2020 relative to the standard fiscal year of 2010. Activities toward these targets were first implemented in fiscal 2011. We introduced the indicator "Environmental Efficiency*" as a part of the medium-term plan so that we could evaluate quantitatively the effects of our activities.

* Environmental Efficiency = Net sales/environmental load

Environmental load: volume of GHG emissions, chemical substance emissions, waste generated, etc.

Even if GHG emissions are reduced in the manufacturing process, the absolute amount of emissions will increase as business activities expand, which means that efforts to reduce emissions will not be evaluated appropriately. We introduced "Environmental Efficiency" as an indicator for evaluating how our production activities were efficient based on net sales and environmental load. Our target is to raise this Environmental Efficiency.

Review of Medium-Term Environmental Targets

The overseas business environment of the Kuraray Group is undergoing a major change as in the acquisitions of MonoSol in fiscal 2012, vinyl acetate business (GLS business) of DuPont in fiscal 2014 and Plantic Technologies of Australia in April 2015. The on-going Medium-Term Environmental Plan was developed in fiscal 2011 and these changes were not anticipated at that time. For this reason, all the environmental efficiencies of the overseas affiliated companies of the Group for fiscal 2014 were below the efficiencies achieved in the previous year. Kuraray is building a plant at its affiliated company in the United States and it is possible that the environmental load of the Group may further increase in the near future.

In view of these circumstances, a study of whether or not a correction of on-going Medium-Term Environmental Targets is necessary will be made during the period of the Medium-Term Management Plan GS-STEP (2015 - 2017). If a correction is deemed necessary, the targets will be modified to appropriate target values.

Global Warming Prevention

In fiscal 2014, both the domestic Kuraray Group and overseas affiliated companies improved upon the benchmark standard of 100 (FY2010) with results of 118 and 108, respectively.

The levels of achievement of the Group overseas affiliated companies since fiscal 2012 have been high and match their targets for fiscal 2020. However, the acquisitions of MonoSol in fiscal 2012 and vinyl acetate business (GLS business) from DuPont in fiscal 2014 greatly increased both GHG emissions and energy consumption. In spite of these factors, the overseas affiliated companies are maintaining average target levels for them, even though their environmental efficiencies lowered compared with their figures for fiscal 2013.

A further effort will be made in the future, aiming at accomplishing results surpassing the originally-set targets.

On the other hand, the environmental efficiency of the domestic Group greatly improved thanks to a reduction in GHG emissions and higher sales compared with fiscal 2013. Through its efforts made in achieving a reduction in CO₂ emissions (by means of use of more biomass fuels, use of waste plastics as fuel, higher plant operating efficiency, installation of energy-saving equipment and steady energy saving activities allowing no wastefulness), the domestic Group reduced 34,000 tons of CO₂, achieving a reduction result in excess of "more than 20,000 tons as a result of implementing measures for a reduction," which was the target set for a single fiscal year. Aided by selling electricity to an electric utility, which had a high GHG emission coefficient, in fiscal 2014, the total GHG emissions of the domestic Group decreased about 1.5% compared with fiscal 2013 notwithstanding an increase in GHG emissions caused by purchased electricity (due to the shutdown of nuclear power stations).

Results for GHG emissions and energy consumption in fiscal 2014 were as follows.

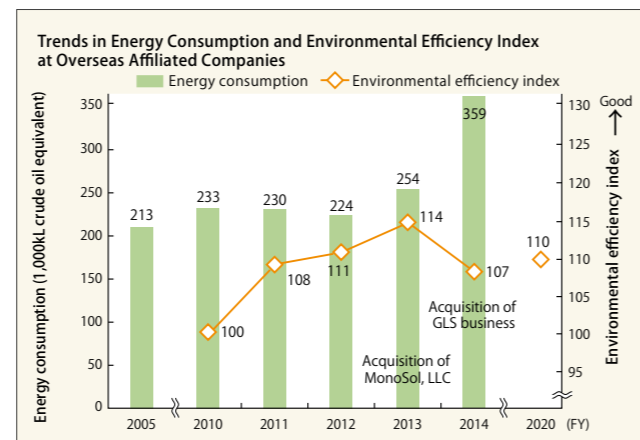
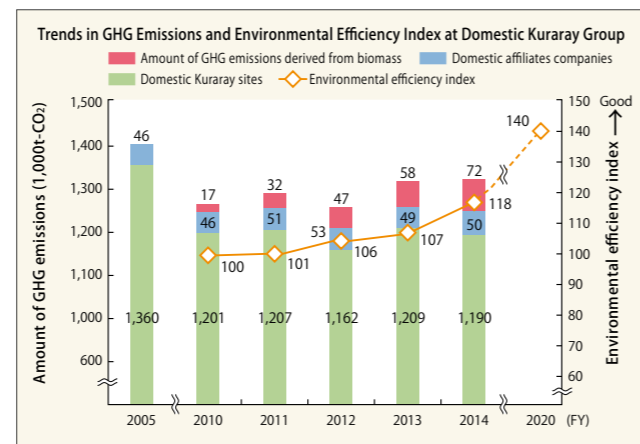
Domestic Kuraray Group	Total: 1,239,000t-CO ₂ [FY2013: 1,258,000t-CO ₂]
Overseas Affiliated Companies	359,000kL (crude oil equivalent) [CY2013 254,000kL (crude oil equivalent)]

Power Generation by Biomass Fuel

The Kurashiki Plant of Kuraray in Tamashima of Okayama Prefecture has started to use biomass fuel* as an alternative fuel for coal and is gradually increasing its consumption. Subsequent to fiscal 2013, in fiscal 2014, the plant searched for more producers of biomass fuels and greatly increased its biomass fuel consumption (13,360 tons

more), greatly contributing to reducing GHGs (less 14,038 tons of CO₂). The plant plans to consume about 50,000 tons of biomass fuels in fiscal 2015 also, almost equal to consumption in fiscal 2014.

* Biomass fuel: Kuraray mainly uses wood chips produced from construction debris and other rubble. Timber absorbs CO₂ during its growth and CO₂ emissions can be considered as zero when it is used as a fuel.



Reducing Environmental Load during Product Transportation

Kuraray is also reducing its environmental load in the distribution stage of delivering its products to the users, in addition to GHGs emitted by itself during the manufacture of products at its plants and other facilities.

Kuraray is also active in the "modal shift" of changing transportation means from trucks to cargo trains, ships and other means. Since fiscal 2010, its emissions of GHGs and nitrogen oxides during products transportation have gradually been decreasing. In fiscal 2014, emissions of GHGs decreased about 4.5% and of nitrogen oxides, about 3.5%, compared with fiscal 2013."

Start of Scope-3 GHG Emission Calculation

Under the GHG Protocol*, GHG emission are categorized in three categories, Scope 1, 2 and 3.

- Scope1: Direct emissions. GHG emissions generated by fuel combustion, such as at places of business
- Scope2: Indirect emissions. GHG emissions associated with purchased energy, such as purchased electricity
- Scope3: Other indirect emissions. GHG emissions along the entire supply chain (from raw materials to product disposal)

Mandated under the law by which businesses voluntarily calculate and report Scope 1 and Scope 2 to the government, we have been reporting these to the government and publishing the results in our

CSR Report and elsewhere.

In case of Scope 3 GHG emissions that take into account the entire supply chain, there is movement for domestic applicant manufacturers to calculate and announce Scope 3 emissions. Due to the increasing number of survey questionnaires requesting company Scope 3 emissions that are being received from environmental NGOs and other organizations, Kuraray decided to start calculations from those giving fiscal 2013 performance.

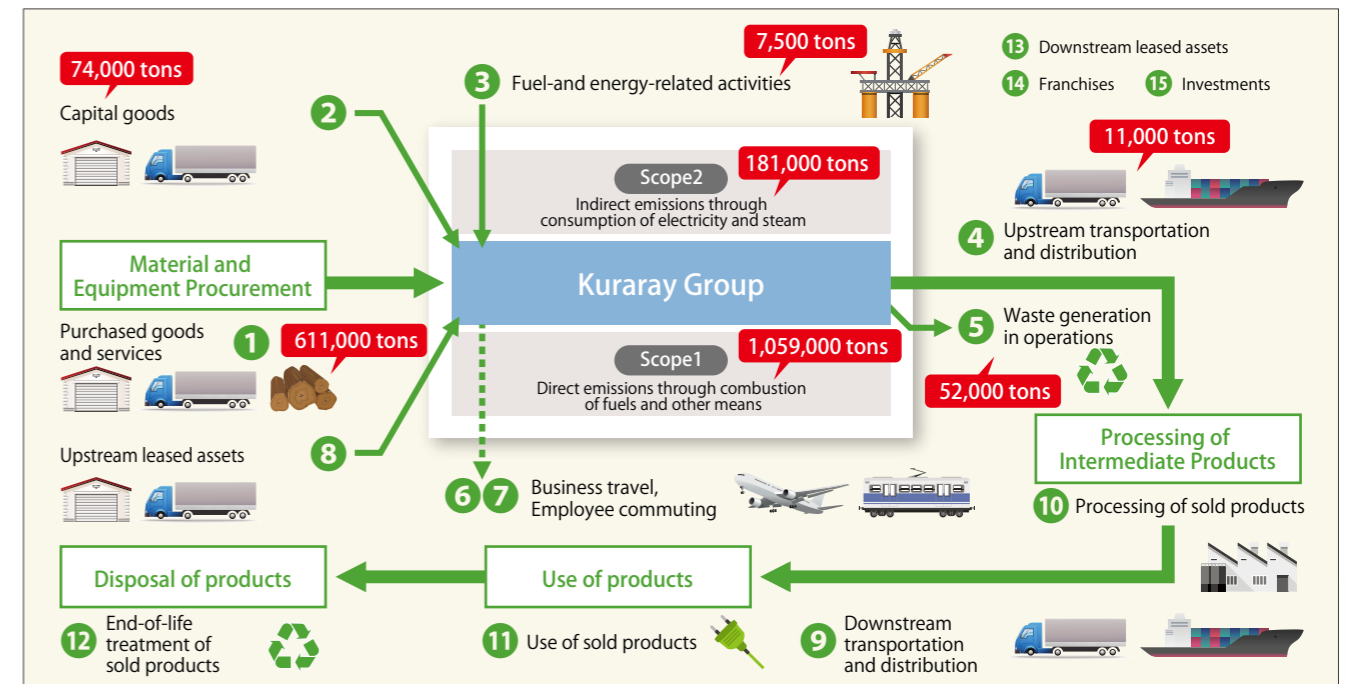
Calculations were made in fiscal 2014 also for eight categories in Scope 3, among 15 categories in total, excluding four categories that are not applicable to Kuraray and three categories for which data could not be collected. (Please see the illustration.)

As a result, Scope-3 GHG emissions for fiscal 2014 were found to be equal to the calculation results of fiscal 2013 in spite of some changes in the overall production volume.

Kuraray will continue to calculate Scope 3 emissions in the years to come and plans to examine the possibility of reducing CO₂ emissions along its supply chain.

* GHG Protocol (Greenhouse Gas Protocol) is an initiative scheme to develop international standards and related tools on greenhouse gases and climate change led by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) and participated by corporations, NGOs, government institutions and other organizations throughout the world.

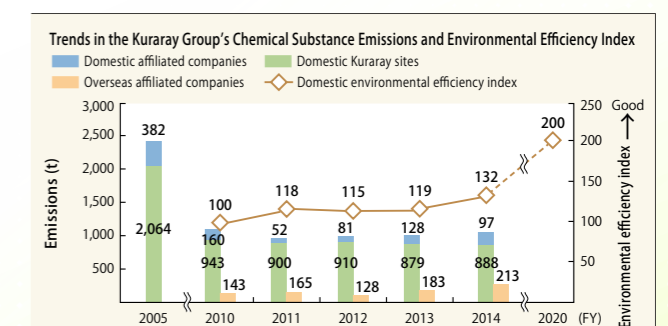
Image of Control on Emissions of Greenhouse Gases in Entire Scope-3 Supply Chain (① to ⑮ show categories of Scope 3)



Control on Emission of Chemical Substances

Based on the Law Concerning Reporting, etc. of Pollutant Release and Transfer Register (PRTR Law), the domestic Kuraray Group checks, records and reports relevant chemical substances to the state. The Kuraray Group similarly discloses on its website and other places emissions of chemical substances not covered by the PRTR Law, but designated by the Japan Chemical Industry Association (JCIA) by checking and recording them.

Emissions of PRTR substances designated by JCIA totaled 985 tons, less 22 tons (2.2%) compared with actual emissions in fiscal 2013. The Kuraray Group is implementing measures to control an increase in emissions even when its production volume increases such as by changing its production process from an organic solvent system to a water system.



Approaches to the Environment

The Group environmental efficiency is improving year after year thanks to the activities undertaken. In fiscal 2014, the index of 100 taking fiscal 2010 as a base year greatly improved to 132, even though the result is slightly below average compared with the target for fiscal 2020 of a 100% improvement over fiscal 2010. Total emissions are decreasing compared with fiscal 2010 thanks to the efforts made by the plants and other sites. This may be explained by sales that are not increasing as originally estimated, even though sales themselves are increasing in total.

There are no legal regulations outside Japan such as the PRTR Law enforced in Japan. The Group overseas affiliated companies, however, are taking measures to reduce emissions in accordance with regulations on emission of chemical substances enforced in their countries or regions. Emissions in fiscal 2014 totaled 213 tons, up 30 tons over the previous fiscal year. In fiscal 2014, the volume handled doubled compared with fiscal 2013 due to the inclusion of the vinyl acetate business acquired from DuPont in June 2014. On the other hand, emissions into the atmosphere and water areas could be controlled to an increase of about 7%.

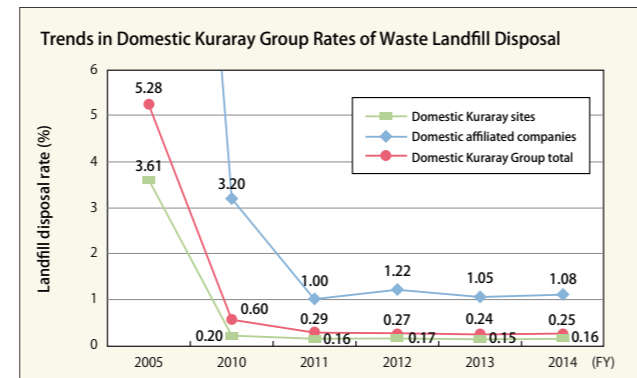
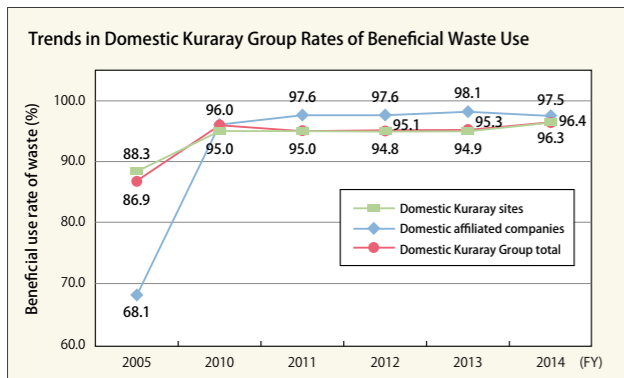
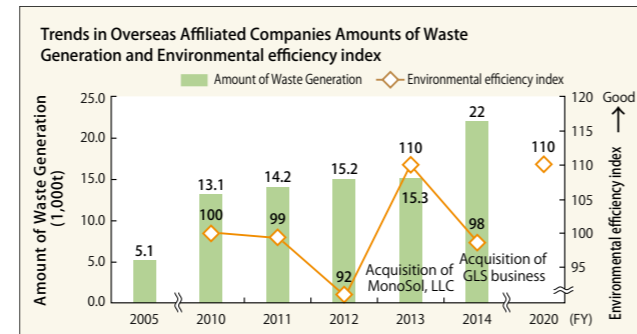
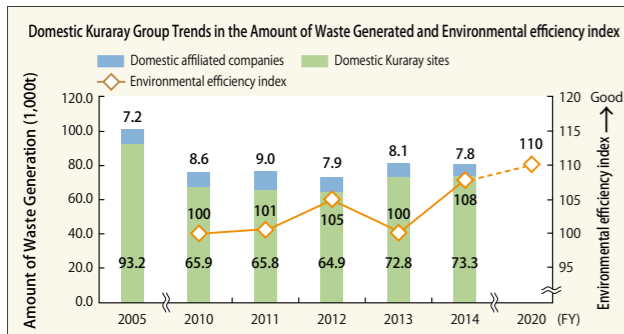
Reduction and Effective Use of Waste and Reduction of Landfill Waste

Since fiscal 2007, the domestic Kuraray Group is continuing to keep "the Beneficial use of waste ratio of 90% or higher and final landfill disposal ratio of 1% or lower." In fiscal 2014 also, the domestic Group accomplished an effective utilization ratio of industrial waste of 96.4% (up 1.1 point) and final landfill ratio of 0.2%. The effective utilization ratio has been leveling off at about 95% in the past several years. In fiscal 2014, an outside user of sludge generated at the Okayama Plant was found, enabling the plant to sell the sludge as a cement raw material, instead of simply incinerating it at the plant, to further improve the effective utilization ratio.

Against the medium-term environmental targets of increasing the environmental efficiency by 10% in fiscal 2020, the environmental efficiency improved 8.1% in fiscal 2014 compared with fiscal 2010, greatly improving over fiscal 2013. This could be attributed to reduction efforts such as improving yields at the plants and other sites, keeping increases in emissions to about 0.4%, which is roughly

the same level achieved in the previous years, in spite of an increase in sales. The amount of industrial waste generated by the domestic Kuraray Group is slightly increasing parallel with an increase in its production volume. The plants and affiliated companies of the Group are continuing steady efforts to reduce the volume of industrial waste generated such as increasing product yields.

On the other hand, the volume of industrial waste generated by the overseas Kuraray Group also increased due to expansions in its business scale after the acquisitions of MonoSol and GLS business, significantly increasing to 22,000 tons, up 44% compared with the previous year. For this reason, as a result, the environmental efficiency lowered to 98.3 below the benchmark. The trends will be watched in the future and efforts will continuously be made including optimizing operating conditions and recycling resources as raw materials.

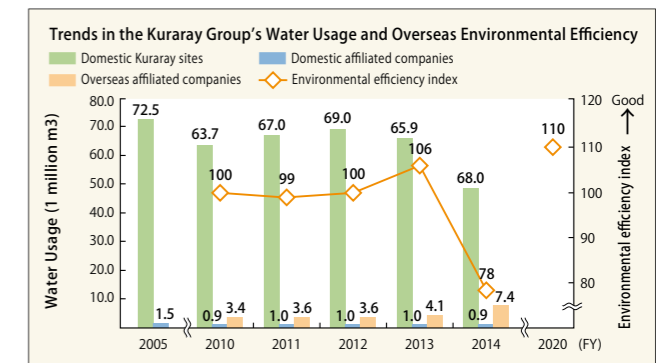


Effective Utilization of Water Resources

The Kuraray Group, including overseas affiliated companies, does not conduct production activities in regions that have only poor water resources. We consider water to be a limited resource and have stated the effective utilization of water resources as one of our medium-term environmental targets. Nevertheless, measures to reduce water consumption that will require equipment investment will not be

implemented for the time being, even though water consumption will be reduced to a minimum, because the possibilities of the domestic Kuraray Group facing water supply risk are low for the time being and because a huge equipment investment is needed to reduce water consumption. A study on whether or not water-resource measures are necessary will be made while tracing trends of water consumption.

Water consumption by the overseas Kuraray affiliated companies greatly increased compared with 2013 due to expansions of their business operations. (Up 3.2 million m3, up 88%) The increase is caused by an increase in cooling water and other water requirements as more chemical plant operations were added. On the other hand, sales also increased, but the environmental efficiency regrettably lowered greatly. The overseas Kuraray affiliated companies are targeting the improvement of their environmental efficiencies by 10% in 2020 compared with 2010 and will continue to conserve their water consumption.



Provisioning of Products Conducive to Biodiversity Conservation

Kuraray has set its Activity Policy for Conservation of Biodiversity and is promoting the development of technologies and products conducive to biodiversity conservation.

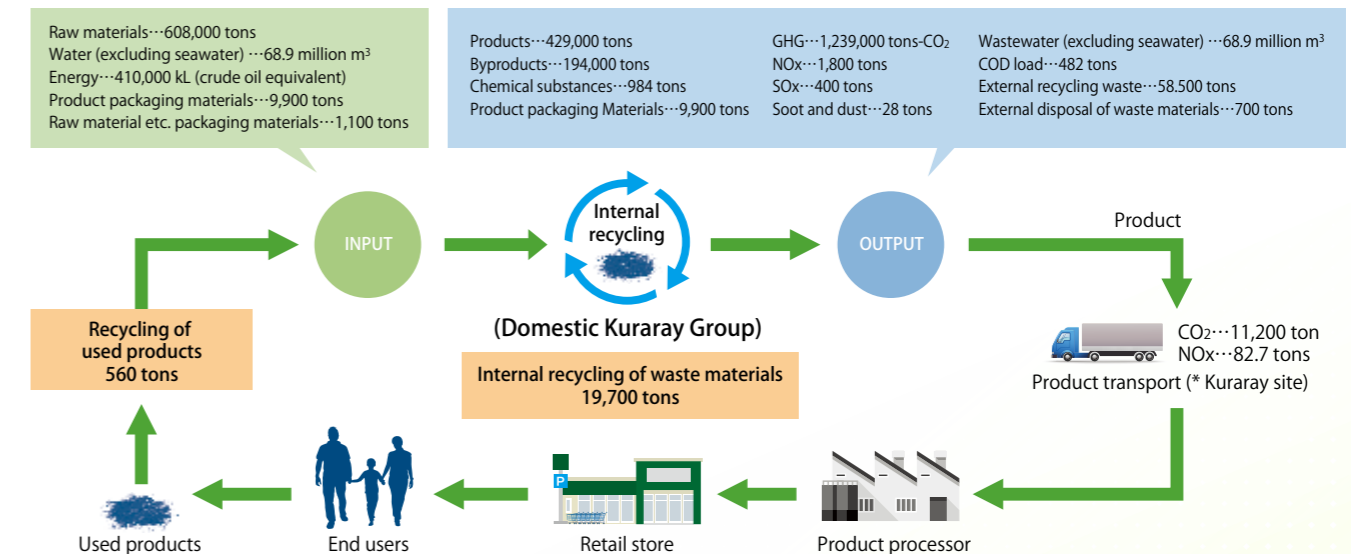
* For more information, visit kuraray.co.jp/csr/report2015/

Action Policy for Biodiversity Conservation (Sept. 29, 2004)	
1) Promote biodiversity conservation	① Assess and evaluate the business impact for biodiversity in land owned. ② Avoid the damage to biodiversity associated with business and restore biodiversity that has been damaged. ③ Conduct an environmental assessment when we are planning construction that exceeds legally set standards.
2) Awareness raising and education	① Promote awareness raising and education for stakeholders, including our employees. ② Provide education on biodiversity that should be considered when we are conducting business.
3) Support activities	① Connect with company volunteers and stakeholders, and evaluate and support their activities. ② Publish information related to biodiversity conservation and communicate about it with stakeholders.

Material Flow in Business Activities (Fiscal 2014)

The Kuraray Group uses large amounts of energy, chemical substances, and water resources in the course of its business activities. We make quantitative surveys of used resources and emitted

substances, and use this information to minimize the environmental load associated with our business activities.



* Visit the Kuraray website for more information on environmental accounting and collection of environmental data.

kuraray.co.jp/csr/report2015/

~ Global Talent Development Program of Kuraray Group ~

Employees in Kuraray domestic and overseas operations in their 30s and 40s gathered for "Global Team Training"



Example of GTT Program Content

- [Stage 1] (U.S.A.)**
- Visit to local entity (1 day)
 - Exchange of views with top executive of local corporation and plant tour
 - Workshops (4 days)
 - Leadership development, innovation and setting of project themes
- [Stage 2] (Germany)**
- Visit to local entity (1 day)
 - Exchange of views with top executive of local corporation and plant tour
 - Workshops (4 days)
 - Marketing, financial analysis and decision making
- [Stage 3] (Tokyo)**
- Workshops (4 days)
 - Presentation skill upgrading
 - Presentation to Executives (1 day)
 - Presentations on project themes

Leadership Development Program [Global Team Training (GTT)]

GTT is a leadership development program for all employees of Kuraray Group. The training program covers a period of about six months including three intensive

training sessions in teams. Members are grouped into four to five project teams and final presentations are made in front of executives after tackling Kuraray Group issues. GTT was first launched in 2007 with the 13th program session in 2015. More than 200 employees in total have completed the program. Aside from brushing up global leadership skills through training, GTT alumni cooperate by supporting new GTT members and linking them to networks across border.



My Experience in GTT: By Christian Amad, Kuraray America, Inc. (Far left in photo)

Many of my colleagues at Kuraray America already participated in GTT and I looked forward very much to having this opportunity.

GTT was a very positive and challenging experience for me. I could mingle with colleagues of the Kuraray Group in various parts of the world with different customs, cultures, ways of doing work and definitions of success. Before participating in GTT, I had entirely no opportunities to spend a long time with colleagues of different nationalities and languages outside of the United States and GTT was a very useful experience for me. I believe that fraternity with a variety of colleagues will further smooth communication and will be very helpful in accomplishing the Kuraray targets.

Recalling my experience in GTT, it was a very enjoyable one and the relationship built with the colleagues who participated in GTT11 will continue forever.

Approaches in the Workplace

Through the Kuraray Group Global Human Resources (HR) Policy, Kuraray Group is making efforts to develop its organizational system regarding the promotion of diversity, fostering of human resources, and fair and just evaluation of performances, as well as establishing a healthy corporate culture and creating new employment opportunities, so that each employee can work in a way which leads to personal growth through the fulfillment of his or her duties.

Sociality Goals and Actual Performance

Theme	Goal	Event and Result	Evaluation and Challenges	Fiscal 2015 Plan
Implementing Personnel Policy Allowing Employees to Feel Work is Worth Accomplishing	Providing a growth opportunity to employees	<ul style="list-style-type: none"> • A mentor is assigned to each new managerial work employee for periodical interviews for reinforcement of support on everyday life and other matters • Mentors are also interviewed by personnel staff. 	<ul style="list-style-type: none"> • Started to operate beginning fiscal 2014 and evaluation will be made in the future. Lower new employee turnover rate is expected and enhancement of mentor leadership competence is expected. • Anchoring down of this system as a routine practice is a challenge. 	<ul style="list-style-type: none"> • Anchoring down of mentor system as a fixed personnel system. • Closer cooperation between mentors and workplace advisors.
		<ul style="list-style-type: none"> • GTT was provided. Employees from 7 companies in 5 countries participated. (See Highlights on page 24) 	<ul style="list-style-type: none"> • The numbers of participants and participating countries from outside Japan are increasing. Maintaining and further increasing the number of participating countries is a challenge. 	<ul style="list-style-type: none"> • Continuous implementation of the GTT system.
Promotion of Diversity and Work-Life Balance	Minimizing unused annual paid vacation	<ul style="list-style-type: none"> • Achieved 83% use of annual paid vacation on average. (See page 27) 	<ul style="list-style-type: none"> • Rate of annual paid vacation used by employees has increased. • Continuation of a rate higher than 80% is a challenge. 	<ul style="list-style-type: none"> • Expansion of various systems meeting diverse working style.
	Support for childbirth, childcare and nursing care	<ul style="list-style-type: none"> • 4th-stage KURUMIN* certification plan completed • Self-enlightenment information provided to employees on childcare leave 	<ul style="list-style-type: none"> • 4th-stage plan completed as planned. • Maintenance of a more flexible work system is a challenge. 	<ul style="list-style-type: none"> • Start of receiving applications and of activity for 5th stage (2015 - 2017) plan.
Reinforcement and Promotion of Schemes for Management of Healthy Mind and Body	Continuation and beefing up of mental support measures	<ul style="list-style-type: none"> • Line-care training and self-care training is continuously provided • Line-care training provided to 220 employees at 4 plants • Self-care training provided to 628 employees at 3 plants 	<ul style="list-style-type: none"> • The training plan has been advanced generally, and tangible results have been obtained. However, some plants and sites have not implemented the training. Support for providing training is a challenge. 	<ul style="list-style-type: none"> • Continuation of training • Stress check to be made.
	Continuation and beefing up of countermeasures for lifestyle-related diseases	<ul style="list-style-type: none"> • Health improvement campaign: Sponsored health improvement campaign (setting of personal goals and management of progress) and health improvement events (sports competitions, walking rallies and other events) 	<ul style="list-style-type: none"> • Continuation of measures is a challenge. 	<ul style="list-style-type: none"> • Continuation of health improvement campaign. • Implementation of no-smoking campaign.

* KURUMIN: Approved by the Japanese Ministry of Health, Labor and Welfare based on the Act on Advancement of Measures to Support Raising Next-Generation Children.

Basic Approach to Human Resources

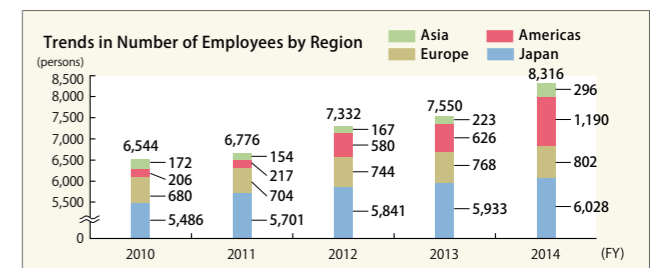
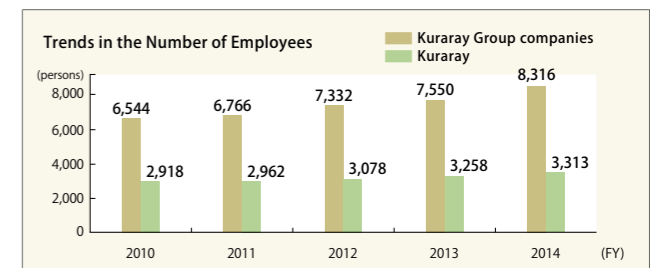
Policy for Global Talents

The basic approach of the Kuraray Group toward human resources is incorporated entirely in the Kuraray Group Global Human Resource Policy.

The Kuraray Group Global HR Policy

- 1 We will respect the human rights of individuals.
- 2 We will abolish discrimination and respect diversity and individuality.
- 3 We will carry out our HR activities in full compliance with applicable laws and regulations.
- 4 We will create HR systems that uphold equality, fairness and transparency.
- 5 We will strive to improve the environment of workplaces.
- 6 We will strive to employ personnel who are able to contribute to the development of the Kuraray Group.
- 7 We will place the right person in the right job.
- 8 We will implement evaluation and benefits systems that are fairly satisfactory.
- 9 We will support professional development.
- 10 We will strive to promote communication and disclosure information as appropriate.

* For more information, visit kuraray.co.jp/csr/report2015/social/office/



Number of Employees

As of December 31, 2014

	Total	Male	Female
Kuraray Group as a whole	8,316	6,945	1,371
Kuraray only	3,313	2,986	327

* Group = consolidated subsidiaries

Employee Turnover Rate

FY2014

	Number of those leaving employment	Turnover rate
Personal reasons	42	1.3%
Retirement	67	2.0%

* Turnover rate = Number of those leaving employment by cause/Number of Kuraray's employees at the beginning of the fiscal period

Activities at Workplace

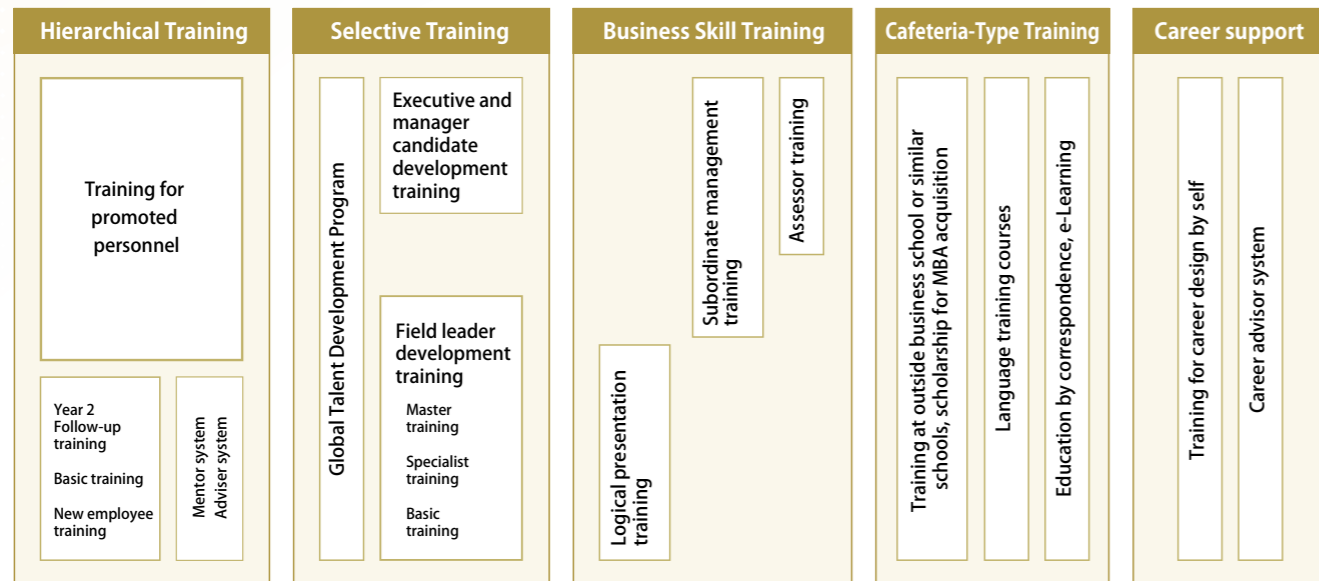
Approach to Human Resource Development

For the domestic Kuraray Group companies, we have established a companywide training scheme to support acquisition of the knowledge and skills required for jobs and career-building efforts by employees themselves.

The training is open not only to regular employees but also part-time and contract-based ones, as necessary. In addition, Kuraray

plants and domestic group companies plan and implement their own training programs and provide their employees with finely tuned support for skill development and career-building. Kuraray also has an incentive system under which it furnishes grants for acquisition of certain public qualifications by employees for their own self-improvement.

Companywide Training Programs at Kuraray

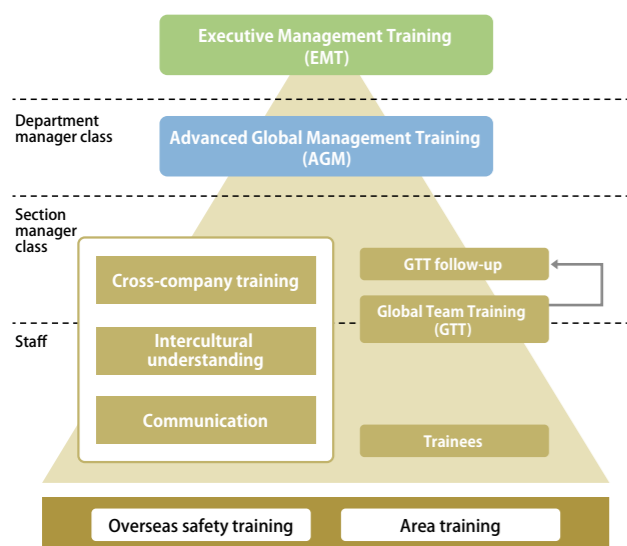


Global Talent Development Program

Stratified training is provided to foster personnel who can actively play on the global stage to further accelerate global growth of the Kuraray Group.

In fiscal 2015, group training (AGM and GTT) will be provided to department manager and section manager classes. Short-term trainee programs will be provided to employees mainly several years in service after employment and employees prior to becoming section managers. These training programs are provided to Kuraray employees from around the world.

Global Talent Development Program



A Fair, Impartial, and Transparent HR System

HR System

Kuraray has instituted a personnel system in which elements such as improvement of job execution capabilities, performance, roles, and spirit to challenge demanding targets (as opposed to seniority and personal factors) are reflected in remuneration.

Specifically, we instituted a scheme of role ranks for management positions, under which remuneration slides with the role and performance, and one of skill qualifications for ordinary employees, under which remuneration reflects the extent of skills and performance. Wages and bonuses are determined on the basis of these schemes. We have also incorporated a scheme whereby personnel can change education courses to suit their desired career paths. In fiscal 2015, a review of wages, allowances, bonuses and work systems will be continued to further enhance an understanding of the employee treatment system.

[Result of Employee Awareness Survey]

An employee awareness survey was undertaken in fiscal 2013. The survey showed that "Understanding and sharing of management policy" and "Satisfaction of employees of section manager class" were low among the survey items.

[Evaluation]

Personnel are evaluated based on management by objectives, in which goals for job duties and competence development are set after consultation between superiors and subordinates, and actual performances of individual employees are evaluated. Assessor training is continuously provided also.

Activities for Comfortable Workplace Environment

Promotion of Diversity

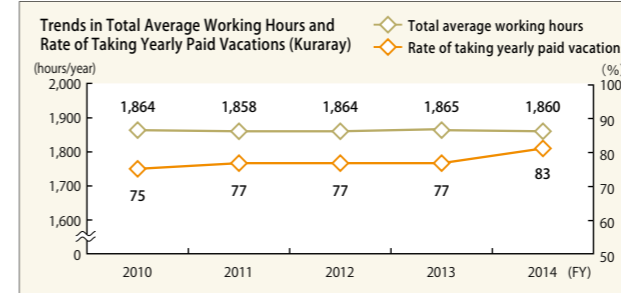
Goals are set to maximize the capabilities of females, senior workers and temporary workers to activate workplaces and to upgrade organizational power.

Three themes, namely, employment of female, expansion of areas of responsibility at work for them and high female employee retention rate, have been selected as priority issues. More information has been shared, views have been exchanged more actively with other companies and more in-house discussions have taken place to implement tangible measures in fiscal 2015. In fiscal 2015, an effort will be made to achieve an enhanced education and training program to promote active participation by female employees, to maintain a flexible work system, and to promote betterment of the workplace environment for more efficient work and other matters as specific issues.

Scheme for Work-Life Balance

Employment Systems and Average Working Hours

Kuraray has instituted systems for flexibility in employment. These main systems include discretionary labor systems for adaptation to the nature of individual work, the "de facto working hour" system for out-of office work, and variable working hour system. We also have no-overtime days and are striving to improve the rate of taking yearly paid vacations.



Leave for Childcare and Nursing Care

Kuraray has a scheme in place to support childcare and nursing care by its employees. In consideration of the timing of admission into a day-care center, employees are allowed to take childcare leave either until the end of April in the year after the child turns one or until the child is one year and six months old, whichever is longer. We recommend male employees to take childcare leave to encourage more fathers to get involved in child rearing.

Number of Employees Taking Leave for Childcare/ Nursing Care (Kuraray)

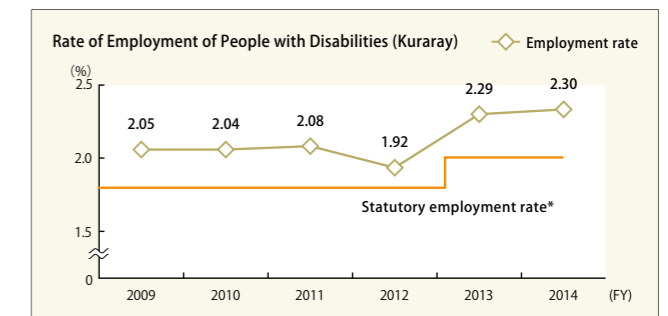
Fiscal year	Childcare	Male employees	Nursing care
2010	25	10	1
2011	35	22	0
2012	53	36	0
2013	59	38	0
2014	46	7	2

Re-employment System for Retirees

A reemployment scheme has been established and is in operation for those employees who have left the Company due to childcare, nursing care or moving of residence because of job relocation of spouse, but who desire to work again.

Employment of People with Disabilities

In addition to meeting the statutory employment rate (2.0%), Kuraray is supporting self-sustenance of people with disabilities in cooperation with communities and support groups for people with disabilities. Kuraray has opened workshops for people with intellectual disabilities in cooperation with local welfare facilities.



* The statutory employment rate for disabled persons was revised from 1.8% to 2.0% in April 2013.

Scheme for Management of Healthy Mind and Body

[Basic Policy for Occupational Health]

To provide a workplace environment where it is possible to work in both a physically and mentally safe and healthy manner, we formulated the Kuraray Basic Policy on Occupational Health.

Kuraray Basic Policy on Occupational Health

In keeping with Our Commitment, the Kuraray Group recognizes that ensuring the safety and health of employees and other stakeholders is the basis of a company's business activity. Kuraray strives to provide a healthy and safe work environment for its employees and engages in health promotion activities.

[Mental Health Care Schemes]

Kuraray has four care schemes including schemes for self-care and line care in an effort to reduce mental disorders. Training for preventing mental disorders, a scheme for counseling, a system for scheduling work attendance taking time for mind and body rehabilitation into consideration for employees on temporary leave who desire to return to workplace and other schemes are in place and are implemented.

[Support for Health Improvement]

Enhancement of health awareness of the employees is promoted through personal guidance on health, promotion of health improvement campaigns and other means. "Health Improvement Operation" is carried out companywide urging the employees to voluntarily deal with improvement of their lifestyles. Health checkups featuring checkup items surpassing the checkup items required by laws are provided to find employees who need health improvement.

Relations with Workers Unions

Employees of Kuraray belong to the Kuraray Workers Union and the Federation of Kuraray Workers Unions, which is composed of all workers unions for Kuraray Group employees. Through venues such as labor management councils and councils on occupational safety and health, we engage in earnest consultation with representatives of these unions on various issues and work for their resolution through mutual cooperation.

~ Sincerely Responding to Feelings of Children Volunteers, School Backpacks Cross the Sea Again ~

The "Sending School Backpacks Across the Sea" Campaign Is Carried out for Children in Areas Where Commodities Are in Dire Need



FY	Number of Backpacks
2004	8,514
2005	12,076
2006	5,504
2007	6,894
2008	7,022
2009	7,522
2010	8,973
2011	11,144
2012	8,326
2013	6,396
2014	7,908
Cumulative total	90,279



(Photo through courtesy of JOICFP [Japanese Organization for International Cooperation in Family Planning])

Backpacks Full of Joyful Memories and Best Wishes Start Walking Their Second Life.

"Sending School Backpacks Across the Sea" is an international contribution activity in which elementary school children in Japan send used



(Photo through courtesy of JOICFP)

school backpacks to children in Afghanistan and other areas, who are deprived of education opportunity by war. The backpacks are donated every year together with stationery and letters. Up to now, these backpacks have been sent to Afghanistan, Mongolia and Nepal.

Started in 2004, this activity marks its 11th anniversary this year and the scale of its expanding every year. In fiscal 2014, 7,908 backpacks were donated from all parts of Japan. In cooperation with JOICFP, the backpacks filled with joyful memories of the children are sorted by groups affiliated with JOICFP and the Kuraray Group employees, and are shipped across the sea through the cooperation of many more volunteers. In October and November, the

backpacks and school supplies were donated to 31 elementary schools in Nangarhar Province, Afghanistan.

Up to fiscal 2014, a cumulative total of 90,279 backpacks were sent. This contribution activity will be expanded to other countries in the future.



(Photo through courtesy of JOICFP)



Wishing this campaign will produce something that will "Transform Itself into Future."

Kazuya Ono, Manager, Polymer Sales Dept., Elastomer Division, Kuraray Co., Ltd.

I started volunteering for this campaign from the beginning in 2004. This year's participation marks an 11th anniversary, meaning that I have been supporting the activity for a period in which school children can graduate elementary schools twice in Japan. I wish that continuation of this campaign will produce something that will "Transform Itself into Future."

* For more information, visit kuraray.co.jp/csr/randoseru/



2014 Report

Interaction with Society

The Kuraray Group recognizes that tackling social issues is an important contribution as a corporate citizen. We undertake activities with a focus on four fields, culture, science, environment and social welfare in accordance with our social contribution policy.

Goals and Actual Results in Social Interaction

Goal	Fiscal 2014		Fiscal 2015 Goals
	Actual Results	Evaluation and Challenges	
[Science] "Sending School Backpacks Across the Sea" campaign undertaken	<ul style="list-style-type: none"> Delivered/7,908 backpacks Collected donated backpacks from elementary schools near the plants 	<ul style="list-style-type: none"> The campaign was carried out as planned, but we were only able to donate backpacks to one country. 	<ul style="list-style-type: none"> To search for new recipients (countries) to support
[Science] "Chemistry Classes for Boys and Girls" campaign kicked off at all plants, sites and Kuraray head office	<ul style="list-style-type: none"> Solicitations made/9 solicitations by 255 employees (Twice at Kurashiki Plant, twice at Saijo Plant, once at Okayama Plant, once at Niigata Plant, 3 times at Kashima Plant) Kuraray participated in four events for children outside Kuraray sites - Children's Summer Chemistry Experiment Show, Kamisu Festa, Niigata Festa in Rokko and Science Festival for Youth. 	<ul style="list-style-type: none"> The event was carried out as planned. 	<ul style="list-style-type: none"> To sponsor events more than once per year at each plant and Head Office To sponsor events for children outside the Company To study collaboration with outside organizations
[Social Welfare] Operation of workshops for people with intellectual disabilities	<ul style="list-style-type: none"> Number of people employed/Intellectually and physically disabled: 39 people, Instructors: 10 people (Total for Niigata, Saijo, Kurashiki and Kashima Plants) 	<ul style="list-style-type: none"> The targeted number of people were hired as planned. 	<ul style="list-style-type: none"> To continuously employ the same number of people at the workshops
[Culture] [Science] [Environment] [Social Welfare] To steadfastly undertake activities at plants, sites and affiliated companies focusing on the relationship with local communities	<ul style="list-style-type: none"> On-going activities were steadfastly undertaken Participation in "Christmas Project to Deliver Picture Books to Children in Disaster Stricken Areas" by Tokyo Head Office as a new activity 	<ul style="list-style-type: none"> In addition to continuous on-going activities at plants and affiliated companies, a new activity was undertaken in Tokyo. 	<ul style="list-style-type: none"> To continuously carry out the activities To cover the status of activities of the entire Kuraray Group as one organization.

Social Contribution Activities

Social Contribution Activities by the Kuraray Group

We in the Kuraray Group consider the sound and sustainable advancement of society a precondition for corporate growth and prosperity, as well as the ultimate objective of corporate activities. It goes without saying that we see it as our duty to contribute to society through provision of products of genuine value to people. Beyond this, we consider assistance with the resolution of social issues within an appropriate scope to be another important form of social contribution in our capacity as a corporate citizen.

In fiscal 2014, the Kuraray Group carried out activities focusing on culture, science, environment and social welfare in accordance with its policy for social contribution activities.

[Activities in Culture Field]

The Kuraray Group continues to support the Ohara Museum of Art, which was established by Magosaburo Ohara, the first president of the company. The Group also supports cultural activities at its plants and sites.



Ohara Museum of Art, a public service corporation

<Contest on Painting and Calligraphy for Elementary School Children>

Okayama Plant has been holding the Elementary School Student Painting and Calligraphy Contest annually since 2005, which serves as an opportunity to introduce cultural activities to local elementary school students. Having to become a fixture in the local community thanks to its ongoing successes, this contest received numerous artwork entries from five elementary schools in fiscal 2014.



Contest on Painting and Calligraphy for Elementary School Children at Okayama Plant

Winning entries are displayed at the local community center, and all entries are shown on the Kuraray website. This contest will be continuously sponsored.

Kuraray Group Policy for Social Contribution Activities

To fulfill its responsibilities as a member of society, the Kuraray Group shall make vigorous approaches to social contribution activities in accordance with the following policy.

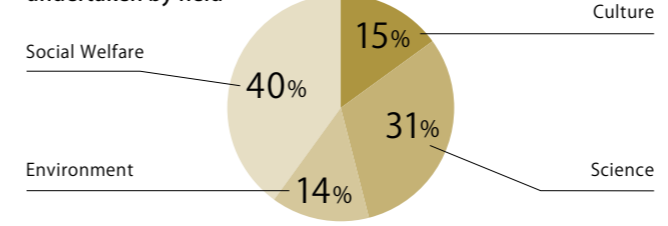
Types of Activities

- Activities that lead to a resolution of social problems and issues
- Activities rooted in local communities where Kuraray's establishments are based
- Activities emphasizing participation by employees on their own initiative
- Activities that are sustainable in the long term

Areas of Activities

- Priority areas: culture, science, environment, and social welfare

Proportions of Social Contribution Activities undertaken by field



Social Activities

[Activities in Science Field]

In fiscal 2014, the Kuraray plants sponsored the Chemistry Classes for Boys and Girls, participated in outside events and sponsored sports tournaments to foster healthy juniors and teenagers by continuously supporting on-going activities.

Chemistry Classes for Boys and Girls

Kuraray conducts the "Chemistry Classes for Boys and Girls" program with the goal of enabling elementary school students to experience the fun of chemistry through hands-on experiments. In this program, employee volunteers of Kuraray serve as lecturers and assistants in dedicated classrooms in Kuraray plant premises, as well as in elementary schools and public facilities in the areas. This program is sponsored every year since 1992 at the Kuraray plants in Japan. In fiscal 2014, 255 employee volunteers participated in nine class events targeting at sponsoring the Chemistry Classes for Boys and Girls by all the Kuraray plants, and also in outside events. The Tokyo Head Office participated in the Children's Summer Chemistry Experiment Show held in Tokyo's Chiyoda Ward. The Kashima Plant participated in the Kamisu Festa held in Kamisu City, Niigata Festa in Rokko District in Namegata City, and Science Festival for Youths in Hokota City, all in Ibaraki Prefecture. The Kuraray booths were visited by about 3,000 people. These events will be continued in the future and active participation will be made in outside events also.



Kamisu Festa (Kashima Plant)

Plant	Class name	Number of classes	Number of participants
Kurashiki Plant	Fun Chemistry House	65	1,765
Saijo Plant	Exciting Chemistry Class	64	1,903
Okayama Plant	Fun Chemistry Class	39	1,300
Niigata Plant	Wondrous Laboratory	49	1,490
Kashima Plant	Fun Chemistry Class	19	1,228
Total		236	7,686

(Sponsoring Sports Events)

From the standpoint of fostering healthy juniors and teenagers, the plants of Kuraray sponsor sports events. Targeting at continuing on-going events, in fiscal 2014, the Kurashiki, Okayama and Niigata Plants sponsored sports tournaments such as softball, soccer, soft tennis, football and baseball tournaments. The baseball grounds, gymnasiums and tennis courts owned by Kuraray were opened to

students in their neighborhoods, striving to promote sports in local communities. These efforts will be continued in the future.



Kuraray Cup Middle School Soft Tennis Tournament (Niigata Plant)

[Activities in Environmental Field]

Aiming at implementing forest conservation work and volunteer cleaning work carried out every year, in fiscal 2014, the Okayama Plant undertook "Kuraray Mirai no Mori (Kuraray Forest of Future) Activity," while the Niigata Plant undertook the "MIRABAKESSO Forest Creating Activity" and Osaka Head Office, the "Mt. Ikoma Hanabyobu Project Cherry Tree Planting Activity." All the plants undertook volunteer cleaning work. Environmental activities will be continued with a focus on forest conservation and volunteer cleaning work.

(Environmental Conservation Activities)

At each Kuraray plant, employee volunteers engage in forest conservation activities, cleaning parks, roads and mowing gardens in day nurseries in cooperation with local governments and NPOs.

In fiscal 2014, Kuraray's Okayama Plant received an environmental impact certificate from the Okayama Prefectural Government for absorbed dose of CO₂ by forests in recognition of its activity "Kuraray Mirai no Mori (Kuraray Forest of the Future) Activity" undertaken in cooperation with Kibi-chuo Town in Okayama Prefecture. Jointing with its labor union, Kuraray is continuing tree planting activities on Mt. Fuji. In fiscal 2014, 50 Kuraray employees participated in this activity. In the past, nine tree planting events have been undertaken and this activity will be continued actively in the future also.

Slightly more than 20 employees of Kuraray (Shanghai) Co. and their family members participated in a tree planting activity at Shanghai Bay National Forest Park.



Work scene in Kuraray Mirai no Mori (Kuraray Forest for the Future), Okayama Prefecture

[Activities in Social Welfare Field]

Aiming to support and continue the employment of people with intellectual disabilities and to undertake the Kuraray Fureai(Rapport) Fund-Raising Campaign, Kuraray's Kurashiki, Saijo, Niigata and Kashima Plants operated workshops and donated money raised in the campaign. Also, cherry blossom viewing parties were held at the Saijo and Niigata Plants tuned to the cherry blossoming season. Residents of nearby social welfare facilities visited the plants and enjoyed viewing cherry blossoms. These activities will be continued in the future also.

(Supporting People with Disabilities)

In cooperation with local welfare facilities, Kuraray has built workshops for people with disabilities to support their self-sustenance by providing employment opportunities.

In cooperation with Nakajomachi Town (currently Tainai City) and Niji no Ie (meaning "Rainbow House", operated by a social welfare corporation, Nanaho-kai), the Kuraray Workshop of Kuraray's Niigata Plant opened in 1997 for people with intellectual disabilities. The



Cleaning Center at Kurashiki Plant

workshop sorts plastic waste generated in the production process for recycling and manufactures supplies and fittings. In 2007, the Himawari Sunflower Workshop opened at Kuraray's Saijo Plant. In 2011, the

Kashima Plant opened its Aozora Blue Sky Works assisted by a social welfare corporation, Kamisu Keiai-en. 10 instructors and 39 workers now work at four of Kuraray's plants to accomplish a variety of job assignments, including those employees at Kuraray's Kurashiki Plant engaged in cleaning of uniforms and labeling on Kuraray products. They mingle with Kuraray's employees through sports events and other occasions. These workshops and employment of those with intellectual disabilities will be maintained and continued.

	Types of Work
Kurashiki	Cleaning uniforms, labeling products
Saijo	Product recycling, cleaning uniforms
Niigata	Product recycling, manufacture of pot stands and aprons, cleaning uniforms
Kashima	Making double-ply product packing bags, separating foreign matter in products

CSR Procurement

History of Kuraray's CSR Procurement Activities Promotes Green Procurement to Business Partners (2002~)

"Under the Kuraray Group Action Guidelines for the Global Environment (established in 1993), we formulated our Green Procurement Standards in 2002 to promote global environmental preservation with the cooperation of our business partners. We also distributed a booklet comprising the above standards to around 800 key business partners and evaluated the status of initiatives at each company by way of a checklist."

CSR Procurement Policy of Kuraray

Respect for Human Rights

- 1 Respect for Human Rights
- 2 Observance of the International Labor Organization's core labor standards
 - Guarantee of the right to organize and the right to collective bargaining
 - Prohibition of compulsory labor
 - Prohibition of child labor

Compliance

- Compliance policy
- Compliance systems
- Compliance education program

Promotion of Green Procurement

- Preparation of environmental policies and environmental reports
- Green procurement implementation plan and implementation apparatus
- ISO14001 certification
- Education and awareness campaign for green procurement

Kuraray Fureai Fund

We established the Kuraray Fureai Fund in July 1992. Under this fund, companies make donations consisting of those made by their employees plus a matching gift of the same amount. Employees endorsing the Fund agree to donate amounts of less than 100 yen from their salaries to it, and the company matches this amount. The funds collected in this way are used for social welfare programs.

In fiscal 2014, the Kuraray Group undertook 31 activities such as presenting nursing care supplies, books and other articles, and raising donations for welfare facilities. Supporting NPOs and schools in the neighborhoods of Kuraray's plants for victims of natural disasters was our main aim. The fund will be continuously used for the sake of social welfare.



Kuraray Library financed by Kuraray Fureai Fund (Saijo Plant)

Develops into CSR Procurement (2005~)

In 2005, we formulated the Kuraray CSR Procurement Policy based on the 10 principles of the United Nations Global Compact, which are both international and universal.

This policy has become more comprehensive than before as it has added sections on "Respect for human rights and individuality" and "Compliance" to the "Promotion of Green Procurement" section. We requested the understanding of this policy from business partners and grasped the CSR procurement status of around 700 key business partners by conducting questionnaires about CSR procurement. Following the survey, we provided feedback and improvement requests to business partners in Japan with some problems.

[Continuation of CSR Procurement - 2015 Onward]

The Kuraray Group will continue to check the CSR procurement activities of suppliers before purchases are made from new suppliers. In purchases of equipment and materials, a system is being built allowing checks of CSR procurement activities of suppliers through the Internet by renovating the purchasing system. This system will allow a more precise understanding of purchasing situations of suppliers.

Kuraray's Activities for Purchases of Green Commodities

In 2002, Kuraray set its Green Procurement Guidelines for purchases of 107 items in nine product categories needed for its business operations, including stationery, office equipment and automobiles. Since then, the Kuraray Group has been undertaking activities to preferentially and actively purchase Green Commodities that are low in environmental load. These activities will continuously be undertaken.